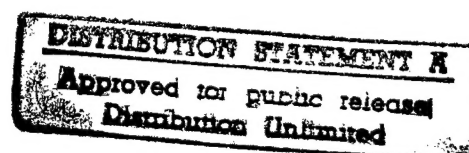


# ***JPRS Report***



# **East Europe**

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# East Europe

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1 October 1991

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**Leader of New Social Democratic Party  
Interviewed**

*91BA1119A Sofia BULGARIYA in Bulgarian 14 Aug 91  
p 8*

[Interview with Ivan Tsenov, spokesman for the New Social Democratic Party, by Elizabet Dafinova; place and date not given: "The King of Soccer on the Historical Side-Splits in the Realm of Ideas and Politics"]

[Text] Ivan Tsenov: "The main threat to Bulgaria will come if the BSP [Bulgarian Socialist Party] manages to become social democratic through the efforts of Dr. Dertliev."

"The new SDP [Social Democratic Party] is the first registered opposition party after 10 November, under No. 1," claims its spokesman Ivan Tsenov, an instructor at the Technical University in Sofia. It is one of the organizations that is a member of the SDS and has still not become "guilty enough" to be expelled. Nonetheless, Mr. Tsenov does not spare critical remarks addressed at the Union and its individual leaders, the BSDP [Bulgarian Social Democratic Party], and Dr. Dertliev. His statements add additional features to the complex situation in which the Bulgarian opposition finds itself today. Who is who, who represents whom, and what are the party's aims? Let us view this through Mr. Tsenov's eyes.

[Dafinova] What makes your party different from that of Dr. Dertliev? Actually, what do you have against him?

[Tsenov] As far as Dr. Dertliev is concerned, this is not a personal matter between us, nor is it between our party and his. The NSDP [New Social Democratic Party] pursues a systematic policy of stabilization of the BSDP and this should be an obstruction to the BSP if a simulation of social democracy is to be avoided. The main threat to Bulgaria will be if such a mimicry succeeds. This would destroy the classical social democratic values, on the one hand and, on the other, the past of the BSP will always be dragging it back. Democracy will be replaced by something resembling democracy. We have no intention of quarreling with the BSDP. On the contrary, our task is to have a single social democratic group in Bulgaria, which would be a basic political factor. We oppose Dertliev not because we have something to split with him but because we believe that his behavior is harming social democracy in our country.

[Dafinova] Nonetheless, he is a politician of an older school. He was a social democrat in the past as well, and he is one now. Could he be rejected exclusively because some SDS members do not like his behavior?

[Tsenov] There was no political life in Bulgaria from 1948 to 1988. What there was was a diktat, a system that people unfamiliar with the history of mankind would find difficult to understand. The fundamental feature of

that system is that people must be slaves without property or initiative. In that sense, the Dimitrov Constitution and the laws which followed it are the most regressive legal acts ever passed in Bulgaria. The most regressive counterrevolution in the country's history was 9 September. As we know, the so-called "Fatherland Front" was established in 1943. After 1944, however, on orders from Moscow, it was transformed into an organization under total communist command. In the summer of 1945, Nikola Petkov and Krust'o Pastukhov left the Fatherland Front and became members of the opposition. The so-called united opposition was formed—the Bulgarian National Agrarian Union [BZNS—of Nikola Petkov] and the BRSDP(O) [Bulgarian Workers Social Democratic Party (United)], which threatened to make things difficult for the communists. We know what happened subsequently. After Nikola Petkov and Krust'o Pastukhov were dealt with, the opposition surrendered. The united opposition, represented by Ivan Koprinkov, Bratkov, and Dertliev, capitulated. That group welcomed nationalization and participated in the legislative process which followed the Dimitrov Constitution. In that sense, they were the accomplices of the communists in laying the foundations of the socialist state. We have the same opinion about anyone who participated in that legislative process. The communists are aware of Dertliev's activities. To me, he is someone they have been manipulating through his file. As you can see, in 1990 the communists remembered their old partners. The people consider them to be true members of the opposition, for they were sent to concentration camps. However, the communists know that Dertliev will keep silent about the 1944-48 period, for he was their accomplice. It is thus that they eliminate from Bulgarian history that period, and Dertliev guarantees this. That is why he was assigned to assume not the Presidency (Zhelev is much more convenient in this role) but the role of a member of the opposition, for the SDS was created by the communists. Those who had gone to prison and to the camps made the opposition sound true. The task of Dertliev was to turn it into a pseudo-opposition, and he succeeded (while Zhelev is trying to convince the world that we have become democratic because we already have an opposition). He already did that, 45 years ago. He is a political recidivist. The fact that the image of a social democrat was created for him so quickly, of a person who is promoting the idea of social democracy, favored by the information media, is no accident. He played the same trump card of 45 years ago. The historical side-split made by Dertliev was the card on which legitimizing the communists in the eyes of society and of Europe was based. Therefore, in the best of cases, if he is not a traitor, he is a capitulationist.

[Dafinova] What led you at that time to be a member of and work for the BSDP, a party headed by that person, before turning to the NSDP?

[Tsenov] I had never been a member of a political organization but I was familiar with the nature of communism. However, I looked at things philosophically.

No one was a dissident in Bulgaria. The various individuals who spoke on Radio Free Europe, thanks to Rumyana Uzunova, his protege, were not dissidents. In that sense, I was not a hero. Nor did I nurture any illusions that that system could be destroyed from within. However, when the opposition was created, I decided that I must be a member of it. I went to the BSDP, believing that that person, Dertliev, who had been sent to camps, and so on, was a real social democrat. However, I was disappointed the moment I met him. I did not want to meet him again, for which reason I worked for the party at the lower levels. I was even chairman of the SDS Coordination Council at Chervena Zvezda. I was also a member of the SDS City Coordination Committee. It was there that, for the first time, I realized that the SDS was being manipulated by the communists.

[Dafinova] How did you realize this?

[Tsenov] I realized it through the behavior of Mr. Stefan Gaytandzhiev. Once again they tricked the Bulgarian people. The results of the activities of this opposition are already clear: the drafting of the Third Red Constitution. Those who so far were full owners remained full owners, for they are not being politically penalized. The three communist constitutions mark three stages of the same program, of the same criminal act. The first deprived the people of their property. The second gave the property to a total owner and legitimized the nomenclature. The third will distribute the property among real juridical persons who come from the former party, economic, and police nomenclature.

[Dafinova] Yanko Yankov and his Liberal Congress Party also left the social democratic circles. What is your attitude toward him?

[Tsenov] Yanko Yankov is a personality. He personally said that he was not a social democrat, for since 1980 the BCP [Bulgarian Communist Party] has been making efforts to transform the communist idea into a social democratic idea. Yanko Yankov took a different path. He too realized that the SDS is an organization that is being manipulated. In that sense, to us Yanko Yankov is an ally, as is anyone who is not controlled by the secret services. I believe that his stance makes sense and that we could cooperate with him.

[Dafinova] Is an electoral coalition with his party possible?

[Tsenov] Currently our party, the NSDP, is entirely within the SDS. We have a critical attitude toward it, particularly in terms of the adoption of a proportional electoral system, which would put an end to the hope for a major victory by the democratic forces. On the other hand, however, such a major victory is impossible and senseless as long as the SDS has people controlled by a third power which I conventionally describe as the KGB. It is very dangerous to categorically oppose the BSP and the SDS and, particularly, their electorate, for this creates social tension. Yet it is precisely that which is being

done. The slogans raised by some leaders, such as Stoyan Ganev, Georgi Markov, Ventsislav Dimitrov, and others, which are meaningless, are provocations and must be discarded.

### Activity of Red Army, New Philippine Army

92P20006A Sofia DUMA in Bulgarian 16 Sep 91 p 1

[Article by Plamen Milanov: "Japanese Red Army and New Philippine Army Planned Terrorist Acts in Bulgaria"]

[Text] During a television press conference on Saturday, MVR [Ministry of Internal Affairs] Secretary Todor Boyadzhiev said that two extreme leftist terrorist groups, the Japanese Red Army and the New Philippine Army, had planned terrorist actions here at the time of the Persian Gulf crisis. These are very dangerous armed groups, but their attempt was neutralized through the coordinated measures of our own and foreign security services.

Minister Khristo Danov said "our policy is that the police should become the friend of the people." According to him, it is not yet possible to speak of a mafia in Bulgaria, but organized crime is a fact.

National Police Director Milcho Bengarski said that the creation of specialized police forces to work with the Gypsy contingent is being considered. On average, 1,200 to 1,300 crimes are committed per week, and 1,000 are thefts of personal or public property. The present rate of detection is 36 percent, compared to 46 percent last year, but the total number of crimes detected is much higher, Bengarski pointed out.

### Costs, Benefit of New Dollar-Lev Exchange Rate

91BA1097A Sofia BULGARSKI BIZNES in Bulgarian 12 Aug 91 pp 1, 7

[Article by Lyubomir Mitov: "Is 20 Leva to the Dollar Too Much? Foreign Economic Analysis of the Exchange Rate"]

[Text] Of late, complaints that the lev was greatly undervalued, that the current bank rate of exchange is inconsistent with its real purchasing power, and that the country had been engaged in some kind of inefficient exports "at all cost" have been heard more frequently, painting apocalyptic pictures of a virtual sell-out of the country.

If we assume that purely political objectives are not the reason for such claims, all they prove is the lack of information of their authors.

Let us begin by pointing out that under the conditions of a market economy a concept such as "export efficiency" does not exist. This was one of the artificially invented categories aimed at giving us some idea as to the actual cost of commodities at an unrealistic rate of exchange, unrealistic yet fixed internal prices, and rather complex



systems for total subsidies. One could freely point out that one year ago we simply were unaware of the real price of goods and were unable to determine it within the distorted value ratios of a command economy.

Under circumstances governed by free domestic prices and a floating market rate of exchange, the efficiency of exports can neither be computed nor make any sense, for it is precisely the fluctuation of prices and of the rates of exchange that regulates the foreign trade balance and sets restrictions in exports and, respectively, imports.

If the prices on the domestic market are higher, exporters are not interested in exporting; if they are lower, they concentrate their resources on the foreign rather than the domestic market. Naturally, at this point we must taken into consideration also the quality of the commodity and the absorption capacity of the market. The fluctuations in the exchange rate play the role of a compensating agent that equalizes domestic with international prices.

In the past no such compensatory factor existed, and its role had been assumed by the budget, which had undertaken the difficult task of compensating for such differences by subsidizing both exports and imports. The result was a drop in exports, increased imports, reduced production efficiency, and unbearable budgetary deficit. Naturally, it was the population that had to pay for it for, other than the redistribution of income, no other source for covering such subsidies existed and, in the final account, this affected precisely the population's income.

With the increased number of exporters, in excess of 10,000 domestic companies, the total liberalization of exports and imports, and the real multiplicity of domestic prices, computing the parity factor in the purchasing power of the lev becomes simply impossible with the old methods, and the gathering of information becomes an incredibly complex and labor-intensive activity. For that reason, so far hardly anyone is able to determine the purchasing capacity of the leva and thus claim that the rate of exchange is inconsistent with the parity.

A relatively elementary assessment of the basis for the changes in the official index of consumer prices in 1990 and 1991 indicates that with the prices as of 31 December 1989 the present central rate of exchange is about three leva to the dollar. Table 1 shows the various possible values of the nominal exchange rates and their actual value in terms of 1989 prices.

For comparison's sake, in that same 1989 the parity of the purchasing power of the leva, computed on the basis of actual physical exports, was 2.23 leva to the dollar; the average coefficient rate of the dollar was 2.19; as of 1 January 1990, it was 2.42 leva. In other words, the real devaluation of the lev compared to the parity of the purchasing power was 25-30 percent (with a nominal rate of 18-19 leva to the dollar), and 16-20 percent, compared to the coefficient rate.

Table 1

Nominal Rate of Leva to the Dollar	Price Index, 6 Percent		Real Exchange Rate Leva Per Dollar
	January-August 1991	January-December 1990	
15.00	398	164	2.30
16.00	398	164	2.45
17.00	398	164	2.61
18.00	398	164	2.76
19.00	398	164	2.91
20.00	398	164	3.06

Remark: Price index data are based on the official consumer price indexes published by the Central Statistical Administration.

On this basis, we must bear in mind that the purchasing power parity, computed on the basis of domestic and export prices, includes production subsidies for export goods, as well as subsidizing the import of many raw and other materials, and does not take into consideration the existence of inexpensive raw materials imported and paid for in transferable rubles. Taking these factors into consideration as well, one may see that in reality it is a question not of depreciation but, conversely, of increasing the real value of the lev.

If we take as a base the period after 10 April 1990, when the so-called market rate of exchange was introduced through foreign exchange bids, not only was there no devaluation but there was a real revaluation of the lev by no less than 49 percent. If the comparison involves the rate of the parallel market in our country or the rate at the Vienna banks, the lev was revalued [figure missing] times!

Disbelievers should simply compute salaries based on the "black" dollar exchange rate (in the case of most Bulgarians there existed virtually no other access to foreign exchange) one year ago and now. Let them draw their own conclusions.

Some circles in our country are displaying the very dangerous trend of demanding a lowering of the rate of exchange of the dollar to the leva and thus making imports less expensive. On the one hand, the reform taking place in our country currently should not stimulate imports but exports, something which is hardly possible with a nominal rate of under 17 leva.

This can be confirmed with the table showing the level of the foreign exchange rate in some key sectors, at which they would have been profitable, on the basis of 1989 data. However conventional such computations may be, they clearly indicate that the currently established rate of exchange of the leva is precisely where it should be. Furthermore, if we take into consideration the fact that metallurgy has always been the target of considerable direct production subsidies, while prices in the chemical industry were shaped essentially on the basis of inexpensive Soviet petroleum, it will become clear that any effort

at lowering the dollar rate of exchange would have an extremely adverse effect on exports.

Furthermore, contrary to expectations, the lev is unwilling to be devalued, even despite the country's monthly inflationary indicator. If we take as a basis the month of April (because of the initial phase of the functioning of the market, the February and March data would hardly be considered indicative), in terms of real computation based on April prices, the present rate of 20 leva to the dollar would be the equivalent of no more than 16.45 leva, i.e., it has remained virtually unchanged. This is creating significant difficulties for the exporters, for they are unable realistically to influence export prices, and the loans they use in the production of goods for export are becoming quite expensive, for the nominal interest rate is not being realistically corrected in terms of the domestic inflation because of the relative stability of the rate of exchange, as would have been the case with companies working for the domestic market.

The situation concerning the volumes of export is similar. The threat that the country is being sold out at bargain rates through exports hardly exists, bearing in mind that, compared to last year, exports have been reduced by more than one-half (while production declined by about 23 percent); meanwhile, in turn last year was the most adverse in this respect compared to the 1980's.

The only encouraging thing in our foreign economic relations is that there is a trend of steady monthly increases in exports and imports, starting with the month of March, i.e., precisely since the new rate of exchange and trading systems were introduced.

Furthermore, trade as a whole has been balanced and in the past two months we have seen a stable trend toward a positive and growing balance of trade, and some structural changes in the commodity and geographic aspects. Hence the conclusions that fears about the existence of a catastrophe in the country's foreign economic relations are pure fabrication, the more so if we take other factors into consideration:

Declining exports by more than 65 percent affect essentially our former partners in CEMA, whereas the decline of exports to the developed market economies was about 15 percent and the gap is being steadily narrowed;

A drop in production inevitably reflected the availability of export resources;

The country is virtually deprived of sources of ordinary commercial short-term credit as a result of the "wise" decision of the former cabinet to stop payments on our foreign debt. If we compare the monthly data not for the first half of last year, when almost all of the strategic foreign exchange reserves of the country were spent, and when we still lacked access to foreign sources (until the end of March, with procurements continuing also

through June), but with the data of the second half of last year, it becomes clear that, actually, exports did not decrease but increased.

Naturally, this does not mean that everything is in order and that no step should be taken to stimulate exports, for it is only greater exports that could take the country out of the recession. Such steps must be taken but they must be within the limits of the market structures, without distorting the macroeconomic ratios or creating an additional inflationary stress. The main burden of such steps should fall on the formulation of a system for short-term crediting of exporters for the production of goods for export at acceptable interest rates, comparable to those charged on the world markets, and insurance against foreign exchange risks (best achieved by establishing a term foreign exchange market in the country) and, on the medium-term scale, the development of an overall system and an institution which would guarantee and ensure export credits and discount notes on granted export loans, using to this effect some of the financial assistance we have received from abroad.

Table 2

Sector	Purchasing Power Parity	
	At 1989 Prices	At July 1991 Prices
Machine Building	2.34	15.27
Electronics	2.67	17.43
Chemistry	1.86	12.14
Metallurgy	1.65	10.76
Light Industry	2.81	18.34
Construction	1.95	12.73
Agriculture	3.30	21.54

Remark: The purchasing power parity is computed on the basis of the official consumer price indexes as published by the Central Statistical Administration and accountability data of the Ministry of Foreign Economic Relations.

### Aspects of Foreign Investment Law Discussed

91BA1098A Sofia BULGARSKI BIZNES in Bulgarian  
12 Aug 91 pp 1, 4

[Article by Katya Vachkova-Todorova: "Some New Truths About the Foreign Investment Law"]

[Text] The Law on Foreign Investments, which was passed by the Grand National Assembly is, actually, the draft bill of the government with some supplements added by the parliament's Economic Commission. In the course of the lengthy drafting of this law, more than 13 national legal acts and documents of international-legal nature adopted by the OECD [Organization for Economic Cooperation and Development], the International Monetary Fund, and the World Bank, were studied. It was taken into consideration that the system used to regulate investments, developed by these organizations and applied virtually throughout the world, is

based on a consensus reached among member and non-member countries about the nature and meaning of the principles and categories that are of key significance in regulating investments.

The main purpose of the law is to interpret the modern economic and legal solutions relative to investment problems, which have been accepted in international practice, in a way which would balance the interests of foreign investors with the economic interests of our country, on a long-term basis.

The comparison which is frequently drawn between the system as per Ukase No. 56 and the Law on Foreign Investments is not entirely pertinent, for as legal acts their application serves different economic systems.

Ukase No. 56 was formulated for the purpose of regulating economic activities under the conditions of a centralized planned-administrative economy in which the state owns more than 90 percent of the property and makes all economic decisions. The fact that the procedure for allowing foreign investments, as per Ukase No. 56, was relatively liberal, may not be considered separately from the fact that foreign investments were being allowed within the framework of an economic system dominated by state bureaucratic decisions.

The Law on Foreign Investments is oriented toward direct investments, i.e., investments in cash or kind, the purpose of which are to create or to increase some permanent interest in an enterprise, and the result of which is to gain the possibility of effectively influencing the management of that enterprise, and most frequently assuming control over it. Paragraph 3 of the additional stipulations includes the definition of direct investments, as stipulated in "Addendum A" of the Code on Liberalizing the Movement of Capitals, which is an international treaty signed by the member countries of the OECD and which is legally binding to them. They also are the main capital exporters.

Our country is very interested in direct investments. They are protected by the law, for it is precisely they that are related to the type of entrepreneurial activities by foreigners, which are not only a source of capital, high technology, access to markets, and so on, but also the true bearer of market structures and market relations.

In today's economic situation, independent economic activities conducted according to the stipulations of Ukase No. 56 are more harmful than beneficial, for they create prerequisites for the unjustified draining of the national income from the country. However, there are no obstacles for independent economic activities, without the need for juridical persons, to be engaged in by foreigners, also according to the Law on Foreign Investments, providing that they become part of the logic of direct investments, i.e., become sources of durable economic interest related to an enterprise operating in the country. This could assume the organizational-legal form of a branch, as stipulated in the Trade Law. The branch

is a merchant's place of economic activities away from his headquarters. It is recorded in the commercial register, and so on.

As to foreign trade agencies in our country, the idea of keeping them outside the scope of the Law on Foreign Investments is based on the governmental draft law. The main basis for it is that the Trade Law requires a much more detailed and modern legal structure of the various types of commercial agencies, based on the object of their activities. In all cases, the conclusion that the Law on Foreign Investments violates the rights of foreigners, who have invested funds under the stipulations of Ukase No. 56, including those who have registered independent economic activities or a foreign agency, is not unquestionable, to say the least. It conflicts with the text of Article 4, Paragraph 4, of the Law, according to which any legally made investment may not be affected by any subsequent restrictions or prohibitions.

Any national legislation governing foreign investments is an expression of national economic policy. In Bulgaria, this is a policy of encouraging foreign investments. The elements of such encouragement may be found in the resolutions included in the Law in the four main aspects of investments it regulates: admission, treatment, protection, and transfer of income.

The greatest possible excitement was caused by the procedure for allowing foreign investments, which is being interpreted as indicative of the extent to which the investment system has been liberalized. The liberalizing of the system, however, depends not only and exclusively on the procedure for allowing foreign investments, but even more so on the conditions which are being offered for engaging in economic activities by enterprises with foreign participation, particularly those which are foreign-owned or under foreign control. The procedure for admitting foreign investments, as stipulated in the Law, characterize it as liberal rather than protectionistic. The principle is that foreign individuals can make investments in the country without needing permission, i.e., freely. The obligation of declaring the investment would hardly worry the foreign investor. It has long been part of the national legislation of a number of countries, such as France, Canada, etc. Such a declaration is not a form of permission and does not limit the rights of the foreign investor. Its purpose is to be a source of data on foreign investments, considered as an economic phenomenon. These are data needed by the state authorities which formulate policy in the investment area. Declaring an investment should be distinguished from registering the respective legal form under which it takes place. According to Ukase No. 56, it is necessary to register only the legal form, which muddled the information picture concerning foreign investments in our country. So far, some 500 companies with foreign participation have been established, many of which have not provided data on the nationality of the capital and, in the case of branches, the headquarters of the mother company. The registered object of economic activities is comprehensive

and does not make it possible to determine in practice the type of activities into which foreign investments are directed.

According to the Law on Foreign Investments, the cases which require permission to invest are exceptions to the general rule of free investments and are specifically listed. The presumption is that in such cases substantial national interest exists, which require not a prohibition but an assessment of the suggested investment. This applies to acquiring the right to ownership and other material rights on real estate by a foreign investor. It is not prohibited but it requires a permit. Another example is the stipulation of Article 7 and Article 4, Paragraph 2, according to which permission is required for deals involving the transfer of investments requiring permission. The purpose of this stipulation, the idea of which was borrowed from the Canadian legislation, is not to limit the rights of the foreign investor to divest himself of his investments, but to give the state the opportunity to determine who is the owner of investments which may affect essential national interests, i.e., for which a permission had already been granted. Another purpose is the aspiration to prevent, to the extent to which this is possible, any speculative deals with investments, which would have consequences detrimental to our economy, such as preventing production, blocking markets, and mass layoffs, which is a reality which is already facing Hungary, for instance. The requirement of obeying the national legislation, morality, public health, national security and public order are neither new nor unfamiliar to the serious foreign investor. In virtually identical terms they may be found in Article 3 "Public Order and Security" in the Code on Liberalizing the Movement of Capital of OECD and have been included in the legislations of many member and nonmember countries.

The Law on Foreign Investments deals with a difficult matter in which our country does not have sufficient experience. It was formulated and adopted ahead of other important economic laws, under conditions of unresolved economic, political, and national problems. That is why it may be assumed that it has shortcomings. What is more important, however, is that this is a law with its own internal logic, which includes mechanisms that enable our state, by balancing the interests of foreign and Bulgarian capital, to pursue a national policy in the area of foreign investment.

### **Contradictory Statements on Energy Criticized**

*91BA1111A Sofia 168 CHASA in Bulgarian 13 Aug 91  
p 21*

[Article by Grisha Todorov: "The Government's Lies About Energy Are Bursting Like Balloons"]

[Text] We could stop the reactors without having an energy crisis but we cannot launch the new reactor to "avoid" it.

Having learned from the bitter experience of his predecessors about the truth and the reaction of our government, Mr. Ashley (Uruin) spoke more like a diplomat than like an expert at the press conference which was held after the inspection of Block No. 5.

The head of the OSART [Operational Safety Assessment Review Teams] of the International Atomic Energy Agency categorically refused to issue an opinion on the normal operations of the nuclear power plant and Block No. 5. According to him, "the mission is not providing overall assessments on safety but merely identifying areas in which improvements could be made."

Despite the "substantial progress" which had been made, during the experts' visit three radiation incidents occurred; shortly before they arrived in Bulgaria, one of the storage areas caught fire. Some nuclear power plant managers suspected sabotage!

Actually, the entire shady deal was the government's doing. After the truth was exposed, the government tried to make it fit its interests. According to the government, operational safety is improving, and stopping any one of the reactors would result in an overall economic catastrophe, the need immediately to waste hundreds of millions of dollars in reconstruction, and so on....

Practical experience proved that switching off the first and second blocks and the decision of the cabinet, after international pressure was applied, did not create any major shortage. Professor Lyudmil Genov, chairman of the Committee on Energy, promises that there will be no power restrictions except, possibly, in September.

The Council of Ministers wailed about the power industry and promised urgent financial assistance. Although it threw around budget funds, right and left, it did not give the power industry even a single stotinka. This explains why currently that industry is exporting 100 megawatts per hour to Turkey and 250 megawatts to parts of Austria, in order to earn funds. Such funds are needed for safety systems, radioactive storage, and inspections of reactor hulls.

The latest lie that is being floated is the panacea represented by the million-megawatt sixth reactor. According to the Committee on Energy experts, the reactor cannot work on a parallel basis with the other million-megawatt reactor before the Chaira PAVETS [Pumped-Storage Hydroelectric Plant] has been completed. However, at that project the construction workers have not even been paid and once again the startup has been postponed.

The cabinet is prepared to spend more than \$600 million for the general reconstruction of the nuclear power plant, in the hope that it will work in its old age, as well beyond this century. According to the leadership of the Committee on Energy, \$150 million would suffice for the reactors to continue to operate for another few years until they are "retired" in accordance with the stipulated time limits.



Given such incompetence and differences with the views expressed by the specialists, perhaps the ministers themselves should consider their own retirement.

### **National Bank To Issue Government Securities**

*91BA1110A Sofia 168 CHASA in Bulgarian 20 Aug 91  
p 7*

[Article by Petur Botusharov: "The Bulgarian National Bank Will Issue Government Securities"]

[Text] This will be an attempt to cover the budgetary deficit.

According to the Law on the State Budget of the Bulgarian Republic for 1991, the gap between the state budget revenue and expenditures for 1991 will be covered by bond loans and other securities on the capital market. This method for handling the domestic state debt is the usual practice in countries with a market economy.

According to Article 45 of the Law on the Bulgarian National Bank [BNB], as the official holder of state funds, and under conditions agreed upon with the minister of finance, the BNB will issue and control the movement of securities guaranteed by the state. This will be a public issue.

By floating state securities, conditions are provided for the BNB to exercise more efficiently its monetary policies through the use of indirect instruments: initially, operations on the open market and, subsequently, a discount and money-lending policy to replace direct refinancing.

As to the securities, three types are known in world practice: short-term (Treasury bills), medium-term (Treasury notes) and long-term (Treasury bonds). The main difference among them is the length of time for which they were issued and the way of computing the yield. Treasury bills are floated for a period not to exceed one year and are sold at a discount from the nominal value. The Treasury notes (from one to 10 years) and the Treasury bonds (with a time limit in excess of 10 days) yield a certain interest rate, and their owner is paid the interest semiannually or annually.

At the present time, because of the existing instability in the financial area and inflation, to which we must add a fluctuating interest rate, the investors prefer faster-liquidity assets, such as Treasury bills. In the future, after the market in such bills has been stabilized, longer-term securities will be issued.

In countries with a developed fiscal system, such notes are sold at auctions and the quotas are allocated on the basis of the competing offers. The participants in the auction indicate the amounts they would like to purchase and the price they are prepared to pay for a given interest rate.

There are three types of auctions: price auctions (auctions of "syndicated banks"), same-price auctions (Dutch auctions), and conventional auctions.

The preferred type in world practice is the conventional auction, for it reflects most completely the market conditions and is used as a starting point for subsequent issues. In this case, the participants in the auction themselves indicate the profit they are willing to accept. Requests are met in an ascending order until the amount stipulated for sale has been reached. Approved offers pay the price they have indicated. The sum to be paid to the investors is determined on the basis of the following formula:

$$P = N * (1 - DR * D / 36000),$$

Where:

P is the price;

N is the nominal value;

DR is the annual discount rate;

D is days to maturity.

For example, in an issue of 182-day state Treasury bills with a discount rate of 6.9 percent, the price on the day of the auction will be 965,117 leva per 1 million leva nominal value.

At the beginning of July 1991, in order to cover the budget deficit, the Ministry of Finance started selling 91-day Treasury bonds. According to worldwide practice, however, state securities should be issued by the Central Bank.

Article 48 of the Law on the Bulgarian National Bank stipulates that the BNB, in performing its role as a broker for the Ministry of Finance, should issue and redeem at maturity state securities for and at the expense of the government. This function will be performed by the newly established "State Securities" Department under the State Credit Administration of the BNB. This way the Central Bank will become an active participant and adviser of the Ministry of Finance on matters of debt management.

### **First Private Bank Chairman Interviewed**

*91BA1064A Sofia DELOVI SVYAT in Bulgarian  
26 Aug 91 pp 1-2*

[Interview with Ventsislav Yosifov, president of the First Private Bank, Inc., by Boyka Mitseva; place and date not given: "We Shall Soon Establish Ourselves as One of the First Banks in Our Country"]

[Text] [Mitseva] Recently circulated rumor had it that the First Private Bank would declare bankruptcy. It is now being said that yours is the bank showing the highest income. What did you do to disturb the spirits in the world of finance?

[Yosifov] We simply threatened the state bank monopoly. Unlike the state, we have someone against whom to fight. This applies precisely to the structures which, unfortunately, we inherited from the recent past. The monopoly was not created by us, for we are currently working at less than 10-percent capacity of the country's financial resources. In order to be sanctioned by the Law on Competition, we must control more than 30 percent of the financial market. We are aspiring to reach this percentage but, for the time being, we are far from it.

It is a known fact that our bank will undergo a financial audit. Our balance sheet, like that of any other commercial bank, is drawn up by Bankservice. This is no secret and the sheet is submitted on a daily basis to the National Bank. It is true that we are in far better position than the other commercial banks, for our earnings come from interest, which is being paid relatively on time, and from our service charges. Furthermore, we are not burdened by uncollectible loans. It is clear to any specialist familiar with the balance sheet of the First Private Bank that we are indeed one of the highest earning banks today. Our turnover so far has been about three billion leva.

[Mitseva] How would you describe the bank today, one year after it was registered?

[Yosifov] The bank was founded in April of last year and registered with the Sofia city court one year ago, with a statutory capital of 10 million leva. Its current statutory capital is 50 million. We developed a great deal of intensive work. Currently we have 32 branches in various cities throughout the country, and four other have already been opened in Sofia. Our ambition is by the end of the year to have 50 branches in the country, some ten of which in the capital.

[Mitseva] How many and what type of stockholders do you have?

[Yosifov] So far, stockholders in the First Private Bank number some 8,400 private individuals and companies. According to the bylaws which were adopted at the first general stockholders' meeting, state share ownership does not exceed 20 percent; private individuals and companies account for three percent. Deposits by citizens and companies exceed 120 million leva. As a whole, on a daily basis, the bank has at its disposal 670 million leva, which is proof of the exceptional success achieved by its personnel.

[Mitseva] Is it true that you are employing the "cream" of the Bulgarian banking personnel?

[Yosifov] I cannot say that the other banks do not have excellent specialists. However, we were able to set up a very good team, something which is appreciated by a number of foreign banks as well. So far, one of the areas in which we achieved very good results has been extending loans to private companies. The people whom we trusted with loans are making regular monthly payments. This means that our specialists are working very

well. Let me repeat that, unlike the other banks, we do not have uncollectible notes.

[Mitseva] What type of relations do you have with the BNB [Bulgarian National Bank]?

[Yosifov] All commercial banks operating under the conversion from a planned to a market economy should work well with the National Bank. We believe that the problems which exist between us will be resolved, for they do not pertain exclusively our direct relations but also to the expected legislation which will govern commercial banks. We hope that this legislation will operate along "standard tracks," as is the case in all modern and economically prosperous countries. In this sense, the promises made by the current and previous cabinets, turned out to be empty talk. Do you know of any industrial project which was privatized? Some of our relations with the National Bank are manifested in the fact that the First Private Bank is one of the major sources for financing the other commercial banks. The reason is that the high interest rates at this time are reducing demand for loans by private companies, and we lend substantial amounts to other commercial banks.

[Mitseva] Do you have any crediting preferences?

[Yosifov] So far we have not extended loans to state enterprises, with the exception of the state banks, for the latter are guaranteed, one way or another. Of late, in connection with the forthcoming privatization processes, we have begun to consider some requests by companies which, once the privatization law has been passed, could become part of the private sector. This applies to companies in the food and light industries, and small enterprises in the machine-building, electronics, and communications equipment industries. Otherwise, we are providing loans exclusively to companies in the private sector.

[Mitseva] What is your view on the quotation of the shares of the First Private Bank by the Economic Bank?

[Yosifov] We are pleased, for these were the first shares which were officially quoted in our press. There is no stock exchange in the country but, in reality, there is a secondary sale of First Private Bank stock. The owners of the stock will be identified after registration, in the next general stockholders' meeting. Shares may be bought and sold. This is an act which marks the unpublicized initiation of a stock exchange in our country, which is one of our objectives in the near future.

[Mitseva] What type of investments is your bank making?

[Yosifov] Strictly in the installation of electronic facilities in the bank and in improved communications. This is based on the studies made by an expert commission of several good specialists in the field of electronics. We are cooperating with IBM. Also, in the area of communications, we take into consideration the recommendations of some of the leading companies in the world.



The bank is also investing in a number of financial institutions, such as the Bulgariya, Inc. Insurance and Reinsurance Company, and in the establishment of a number of brokerage houses throughout the country. Two of them are already functioning in Sofia, buying and selling foreign exchange, and will soon start handling securities. They work for themselves and are already showing a profit. We hope that a stock exchange will be established in our country soon. In order to be successful, it should provide quotes for the shares of at least 100 companies. Only thus could there be any movement on that market, for otherwise such an exchange would make no sense. We have invested in 11 companies, some of which involved foreign participation. We are trying to invest also in associations of private individuals engaged in activities useful to the Bulgarian people, which includes airlines.

[Mitseva] It is being said that your ambition is to turn the BNB into a branch of the First Private Bank....

[Yosifov] We would not like to become owners of the National Bank, for it, like the State Savings Bank, lent money to the state budget, which is an uncollectible loan. This will remain unchanged until opportunities are provided for the privatization of the economy. It is only then that the National Bank will be able to play its true role as a bank which controls the banking system.

For the time being, we are expecting much greater competition following the penetration of foreign banks, after a normal legislation has been drafted. Until that time, we intend to remain the leading bank in the country and, after a while, to make our way into the foreign financial markets. I am deeply convinced that the Bulgarian banking specialists, particularly those employed by the First Private Bank, will be able to compete with their best colleagues in the world.

### Minimum Export Prices, Reexport Problem

91BA1049A Sofia BULGARSKI BIZNES in Bulgarian  
5 Aug 91 p 4

[Article by Magdalena Mladenova: "Are Minimal Export Prices a Protection From Disloyal Reexports?"]

[Text] The question of the mandatory minimal export prices set up by the Ministry of Foreign Economic Relations, was discussed in BULGARSKI BIZNES No. 29, 1991, in the article "Minimal Export Prices: Encouraging or Prohibitive?"

Having read the article, the ordinary businessman asks himself: Will he be told, once again, how to trade and at what prices? If it is profitable, he will export, and that is all. Such is the situation, the more so since priority is being given to the question of stimulating Bulgarian exports. However, we cannot agree with some of the arguments brought forth in that article.

To begin with, the commodities included in the list are not quoted on the exchange. As is accurately assumed,

they are based on the average Bulgarian export prices. In addition to everything else, such prices could also be a manifestation of a certain export policy pursued by the government.

Let us set aside the prices of small domestic animals and meat from such animals, for (as mentioned in the article) the prices set by the MVIV [Ministry of Foreign Economic Relations] are not maximal (and, obviously, do not hinder the activities of some companies). At this point we touch the "sensitive spot," which is hurting many Bulgarian exporting companies or, rather, companies with Bulgarian registration but owned by foreigners, and mixed commercial and travel companies. According to the article, the minimal export prices for cheese made of ewes' milk are striking, compared to domestic prices (it is not normal to demand on the foreign market a price which is 2.5 times higher than the domestic price), as well as compared to the average market prices for 1990. To begin with, since ancient times the purpose of all trade has been to buy for less and sell for more. This may sound like a joke, but the serious part is that it was deemed very stupid on our part that we were able to sell profitably on the international market a Bulgarian commodity appreciated as a unique product in terms of taste and nutritional qualities. Could it be that the domestic price of that same cheese is not realistic, compared to the actual production costs per unit of output? Perhaps after increasing the minimal purchase prices of the milk and making a normal living standard consistent with the new wages, the domestic price of the cheese may become 60 leva per kilogram, at which point the international price of \$3.50 per kilogram will not appear to be too high. Under those circumstances, the producers themselves will not try to export that cheese at all cost but will sell it domestically for the leva equivalent of the same amount in dollars.

But let us look at the average market prices for ewe's milk cheese for 1990 on some markets. The price ranged from \$3,415 to \$4,703 per ton for West Europe, the United States, and Canada, depending on the amount exported and the specific country, at a time when the domestic price was not 26 leva but 3.60 leva per kilogram. The biggest amounts go to Germany where the 1990 FOB [free on board] price was \$4,273 per ton, and the United States, at \$3,451 per ton. The lowest was that of sales to Greece in 1990, \$2,937. However, the quantities exported to that country were small.

In all likelihood, the prices quoted in the article as Bulgarian export prices (\$2,400-2,700 per ton) are the averaged prices for feta, which take into consideration the price of cheese made of cow milk, which are considerably lower compared to cheeses made of ewe's milk.

Following are the specific reasons for the displeasure shown by some companies caused by the introduction of minimal export prices. They have already submitted bids or else have signed contracts with foreign companies. By introducing high minimal export prices, the

authority of Bulgarian traders is undermined and we lose our positions on the international market.

In practice, however, it is the opposite that happens. By submitting bids with prices which are much lower than those presently asked, and without any preliminary study of the level of international prices, we shall be losing the positions we have already gained, or else the company which exports at low prices will show a profit even if it were to sell a ton of ewe's milk cheese at less than \$2,500 with a domestic price of 26 leva per kilogram. As a whole, however, it is the country that will lose. The question is, to what extent is it justified to sell for a minimal profit or even at a loss strictly for the sake of earning some greenbacks.

If we follow the prices of ewe's milk cheese imported by Germany in 1990 and the beginning of 1991, we shall see that nothing distinguishes Bulgarian export prices from the prices charged by other exporting countries.

We can also see that the same type of cheese, which we exported to Greece at the price of \$2,937 per ton FOB is already worth \$5,829 per ton CIF [cost, insurance, freight], when it is shipped from Greece to Germany. It costs less for Bulgaria, \$4,474 per ton CIF with direct exports, although the distance from Bulgaria to Germany is not all that different from the distance from Greece to Germany. The quality of the cheese remains the same. The point is that one of the countries manages to protect its interests better than the other.

Friendship is friendship, but cheese means cash.

**Imports of Cheese by Germany in 1990  
(CIF, FOB German Border)**

Country	Tons	Price DM/Ton	Price \$/Ton
Total	2305.6	7,904	4,912
Greece	823.6	9,380	5,829
Turkey	97.8	6,145	3,819
Hungary	16.8	6,130	3,809
Bulgaria	1300.3	7,199	4,474
Cyprus	63.8	6,457	4,013

**German Imports of Ewe's Cheese in January and  
February 1991  
(CIF, FOB German Border)**

Country	Tons	Price DM/Ton	Price \$/Ton
Total	283.3	7,229	4,837
Turkey	17.8	7,078	4,736
Bulgaria	244.4	7,246	4,849
Cyprus	13.3	6,616	4,427

Editorial note: The price of the cheese quoted in Issue No. 29 (\$2,400-2,700/ton) is the average export cheese for ewe's cheese in 15-kilogram tins. The information comes from the weekly bulletin of the market-price information of the MVIV (No. 52, 1990). This averaged price is based on the entire volume of export of ewe's cheese from Bulgaria and not only exports to the European Community members. In 1990 it was better for the Bulgarian exporters, for in 1989 it was even lower: \$2,175 per ton.

### **Sutovec on Federal Assembly, Slovakia's Future**

91CH0923A Bratislava KULTURNY ZIVOT in Slovak  
2 Sep 91 p 3

[Interview with Milan Sutovec, chairman of the House of Nations and deputy chairman of the Federal Assembly, by Peter Sporer; place and date not given: "With Milan Sutovec on Democracy, the KGB, and Journalists: To Defend the Parliament Means To Defend the Law"]

[Excerpt] [passage omitted]

[Sporer] And concerning the press conference of Public Against Violence [VPN]?

[Sutovec] I said roughly the same thing there that I am saying now, which is, that it will be beneficial for our future development if those gentlemen from the KGB, who are still moving around among us, ceased to receive orders and stipends from Moscow. That will clean up many things in our politics. I mentioned, just by way of illustrating my point, that people will no longer be going to Kiev for their instructions. The entire journalistic community, as it was sitting there, jumped at this single small sentence, the content of which is by and large irrelevant to the situation on our political scene. For 40 years many a Slovak politician met KGB men in Kiev—and many of them may not have even known whom they had the honor of meeting. No journalist has ever been interested in that. Now all of a sudden they focus their attention on one person. That is characteristic of the political culture of our journalists: They would like to see political life as some kind of a series of conspiracies or planning of conspiracies at the highest levels, but the fact they are missing is that political life goes on at all levels, not just at the highest one, and that the unrelenting, detailed work of an alien service with a hostile bent among the members of the armed forces, in the economy, or in the mass media, has a much more powerful disruptive, or at least disincentive, effect on society than some possible contact of a single politician at some occasion with some exponent of the KGB. In our politics, therefore, many things will get cleaned up when the influence of that broadly established force will cease.

By the way: Neither the Czechoslovak Press Agency [CSTK], nor, I believe, any newspapers reported from this press conference that VPN wants to lead the way in demanding that the USSR give us information about the network of KGB agents here. What do you think, why was this of no interest to the journalists, and why were they so interested in someone like, let us say ... Salgovic?

[Sporer] When I read reports or comments on the press conference, I have the impression that you entered into an open confrontation with Mr. Dubcek. People connect it with the fact that some political parties would like to see you occupy his seat in the parliament.

[Sutovec] Those "some political parties" never talked to me about this issue, and I must say that the demand for

Mr. Dubcek to resign really spoiled for me what was already a very short vacation. I am in favor of Mr. Dubcek remaining in his function until the end of the election period, and I said that out loud many times already. But at the same time I think he should actually perform his function as the chairman of the Federal Assembly in all its aspects. I wish, for example, that as the chairman of the Federal Assembly he would actually preside over the meetings of our highest legislative body. I wish that he would appear more often among the deputies and communicate with them in person. And I wish not just for myself, but above all for Mr. Dubcek and all of us, that as the chairman of the Parliamentary Political Commission for drawing up the new Czechoslovak constitution he would bring its work to a successful conclusion. That is a duty with which he was entrusted, which he took upon himself, and which he likes to mention in public.

And that is precisely the point which vexes me, and which could have given the impression at the press conference, and perhaps also on the radio and television, that I somehow "have it in for Mr. Dubcek." Last week on Monday I read in his interview by CSTK a sentence which I had better quote exactly: "No, one can no longer believe in a common statehood, democracy, national accord." What do you think, what hope is there that we shall have a new federal constitution when the chairman of the political commission, responsible for drawing it up, is of the opinion that "one can no longer believe in a common statehood"? What do you think, what hope is there for a parliamentary political consensus on any, or even a partial, issue when the chairman of the parliament gives in to such defeatism?

When I asked myself several such questions, I became angry. I admit, I should not have let it show on my face. But even I am only a human being.

[Sporer] At last we are talking about the parliament. You touched on the problem of drafting the constitutions. Do you think that the Federal Assembly will be able to come to an agreement on a federal constitution?

[Sutovec] We will not talk about the republic constitutions, although these are closely related problems. As far as the federal constitution is concerned, we must keep in mind several realities that dampen the optimism of those who believe that already this parliament will adopt the constitution.

Look: 20 months after the revolution, this society still does not know what it actually wants. It still has not decided what values it prefers, what its priorities are. We have not yet established some kind of axiomatic minimum of what we really want. Part of society still wants to call into question the rationality of free market economy, another part calls into question parliamentary democracy and demands a direct democracy. One part wants a federation, another part would prefer partition of the state. There are many such differences of opinion,

and now imagine that each of these different, contradictory tendencies has a proponent in the parliament. What state of mind of this society, in view of all these givens, should the constitution actually reflect? When I add to this what I talked about in my previous answer, then I would call my optimism a strongly skeptical optimism.

There is a certain hope that in the wake of the events in the Soviet Union our society will be able to "get together" in a foreseeable future on some basic values, about which it will say in the constitution that it believes in them, that it will act according to them, and that it will defend them. We have available the Charter of Basic Human Rights, and that is a solid basis for a consensus, and fortunately we have here an unequivocal democratic stance of all the parliamentary and other key political forces during the time of the Soviet crisis. That is another very auspicious fact. Another matter, a less auspicious one, is the organic disintegration of the Soviet Union, which could extend to us. It is altogether possible that the tendencies toward disintegration will become radicalized in our federation as well, and that this will be precisely the stumbling block on the way to drawing up the federal constitution. Mr. Dubcek's stance on this question, as I quoted it, suggests, and ominously foreshadows, many possibilities.

[Sporer] Will the federation survive?

[Sutovec] I wish it would, but I don't know if it will. Some powerful geopolitical shifts are occurring in Europe that remind me not so much of political processes as of natural and cosmic processes. I am concerned whether the upheavals, such as we see in Yugoslavia and the Soviet Union, are not some kind of surrogate manifestation of the real beginning of a global conflict between the poor and the rich, between the so-called north and the so-called south. It so happens that through those two countries runs the dividing line between the social level and civilization of the "south" and the "north." We can ask ourselves whether we, too, may be one of those countries which are internally divided in this way. Whether our geographic "west" is not the "north" in the social sense, and our geographic "east"—that is, Slovakia—is not in the social sense the "south."

In any case, it is terribly important for Slovakia—regardless of whether it will stay in the federation or not—that its neighbors to the south, north, and, above all, east, are prosperous, democratic states. Such neighbors could provide a guarantee that in Slovakia's political life fascists, racists, militant bolsheviks, and dunces of all shades will not be ascendant, but that its tone will be set by tolerant, decent, and democratic people who do not suffer from xenophobia, paranoia, and other maladies which cloud a healthy mind and healthy politics. I am convinced, however, that all this can be achieved also within the framework of a well constructed Czecho-Slovak federation.

### Common State Seen To Benefit Slovak Prosperity

91CH0928A Bratislava KULTURNY ZIVOT in Slovak  
9 Sep 91 pp 6-7

[Article by Stanislav Spanar: "Why Do We Need the Federation?"]

[Text] Why is it more advantageous for the citizens of Slovakia (as well as those of the Czech lands) to live in a federation rather than in an independent state? What specific advantages does the Czecho-Slovak federation offer? In this article I should like to address these and other questions, and present several economic arguments that may serve our citizens for orientation. I shall not deal with political, cultural, or historical areas; my concerns are of an economic nature. In the interest of these matters I intend neither to theorize nor meddle in the futurologists' business. I am interested in facts and their logical conclusions.

It is axiomatic that there are many reasons for which nations in the world prefer to live in a larger democratic entity than in a small formation. West European states are freely and of their own volition seeking unity in the supranational European Community where, among other things, a non-negotiable condition demands that they abrogate a major part of their sovereignty and surrender considerable political and economic powers to a joint leadership. This well premeditated step has been taken by 340 million free and informed citizens of those countries. They are not alone; additional millions of citizens of Sweden, Austria, and Switzerland (where the term 'sovereignty' may be drawn as far as to the canton, the community, and down to every individual citizen) are trying to follow them in the nearest future. In addition to considerations of security, the main reasons for this trend are economic: Most citizens of those countries are willing to consider only supremely rational—i.e., economic—arguments, specific data, or possibly their own experience of what makes them feel more free and prosperous, and why and when they may feel so in the future. Furthermore, a large democratic entity is more stable both in the political and economic sense.

### What Would Happen If...

Nevertheless, let us take a look at our country. By way of introduction permit me to fantasize a little and imagine how Czechoslovakia would have fared after 1938 if her normal democratic development could have continued uninterrupted, with a free market and private enterprise, and if Hitler, the War and all that followed had never happened.

In 1938 Slovakia constituted 36 percent of all Czechoslovakia's territory and 25 percent of its population, but Slovakia contributed approximately 7.5 percent in total Czechoslovak production. As compared with the Czech lands (the provinces of Bohemia and Moravia-Silesia—hereafter Czech lands), Slovakia's industry and infrastructure—trade, transportation, communications, banking, and services—were underdeveloped. Average

wages in individual branches were 19 to 33 percent below those of the highly developed Czech lands. In the twenty years of the First Republic, from 1918 to 1938, Slovakia made progress and its economic strength increased, but in comparison with the Czech lands, there remained a sizable gap stemming from the differences in their economies inherited from Austria-Hungary in the beginning of this century. In that twenty-year period, however, a new, unprecedented factor emerged: A new Slovak intelligentsia appeared in the areas of humanities and technology. That is a very important fact for the discussion of our further development.

As Slovakia was gradually acquiring educated experts of its own, and gradually gaining healthy self-confidence and professionalism in an environment of a free exchange of global thought, travel, and partnership with the rest of the world, it was obvious that the Slovak representation would necessarily increase its influence on the state leadership which in time would reach the logical conclusion that on principle, any imbalance is an unhealthy phenomenon. Advantageous investment policies, tax relief for entrepreneurs, and incentives for investment of foreign capital would in time have naturally enhanced Slovakia's share even if the development of the Czech lands would have continued unhindered. I believe that in 80 to 100 years that share would have matched the standard of the Czech lands, although Slovakia's specific characteristics, for instance, its greater focus on international tourism, would be preserved. All that would have taken place under harsh market conditions and an open economy with convertible korunas, which means that only products meeting world standards could succeed, and that services and productivity would be of high quality; we would approach the situation of the Czech lands on a far higher economic and qualitative level. As for its living standard, as a single entity Czechoslovakia could have been another Switzerland, albeit with a distinctly stronger economic potential and international importance. If some people consider 80 or 100 years much too long, let them kindly remember first: That it took about two centuries for the Czech lands to develop, and secondly: That at this very time we would be witnessing the outcome.

In the final stage—in other words, approximately now—we would have in fact four advanced regional types of economies in Czechoslovakia; naturally, they would be interconnected and would be integrated, and each would be making its unique contribution to our national wealth, either in the form of taxes, investments, income from exports and tourism, or with the rich assortment of its manufactured products. Each of these regional economies would have its distinctive characteristics and specifics: German precision in the glassworks and textile mills in the Sudeten region; Czech inventiveness in the consumer and heavy industry; Slovak hospitality and natural beauty in tourism; and Hungarian experience and high productivity in the agriculture and food production in southern Slovakia. It would be a kind of a

miniature Europe, with a high standard of quality, stable currency, democracy, with a population of about 20 to 25 million. According to expert estimates, in Europe we would be in the tenth place as regards population and in about the fifth as regards the living standard and economic power. As such, Czechoslovakia would have quite some clout in Europe and an ample economic latitude. In the days of the First Republic plans were already under consideration for Slovakia's partnership in a tourist zone that included Switzerland, Austria, and Slovakia, as well as for purchase of part of the Adriatic coast in Yugoslavia, and for a direct railroad connection through Austria. Thus, we would have a coastline as well.

Can anyone say that he would then not want to live in Czechoslovakia...!

### ...But What Did Not Happen

However, time cannot be turned back; fifty years have passed and nothing or hardly anything of that has come true. Slovakia's share in Czechoslovakia's total industrial production may be in balance with the Czech lands at almost 29 percent, but that is meaningless in view of an overall decline of our economy and of Czechoslovakia's and especially of the Czech lands' nosedive from tenth place down to somewhere in the thirties or forties, to the level of the developing countries. Sad to say, Slovakia's increased share has not improved the standard and overall productivity of Czechoslovakia's economy. This is vividly illustrated by the record of sales of our goods in world markets. If in 1948-50 Czechoslovakia's share in all world markets amounted to about 2 percent, in 1990 it was only 0.3 percent. In other words, Czechoslovakia has recessed, or rather, its products have been driven out from world markets by products of better quality manufactured by other states. In recent years countries comparable to Czechoslovakia, such as Belgium or the Netherlands, have increased their share in world markets several times more than we have. For example: In 1988 Czechoslovak exports earned about \$22 billion, or \$1,597 per capita. Belgium and Luxembourg, with a population slightly over 10 million, exported goods for \$92 billion (\$9,017 per capita). Finland, which after the war still ranked among the very poor and underdeveloped countries, in 1988 exported goods for \$22 billion, which with a population of less than 5 million makes it \$4,475 per capita.

This is to say that the delight and satisfaction of the Slovaks over their having caught up with the Czech lands should be objectively mitigated by the realization that it is a balance on a very low level.

Before we begin with specific economic ideas and arguments, it should be noted that as of 1 January 1989 the population of the Slovak Republic was 5,263,561 (33.6 percent of all of the CSFR). Slovakia's territory amounted to 49,035 square kilometers (38.4 percent of all of the CSFR territory). This means, for example, that if it should equal that of the Czech lands, the productivity of Slovakia's industry or foreign trade should



amount to about 33 percent, in other words, to one-third of all CSFR's outputs—a 1:2 ratio. Investments should be about the same, although that ratio may deviate in some years. If that productivity rate is lower (or conversely, if investments are higher), that means that the Czech lands are subsidizing Slovakia. The productivity in agriculture and, for instance, in tourism should come close to 38 percent. This again means that if that productivity rate is not achieved, Slovakia's productivity in those branches does not measure up to that of the Czech lands.

### Mathematics Caution

I would not mind being wrong, but so far none of our economists has disclosed why exactly economic independence is, or will be, more advantageous for Slovaks. Is it because, in addition to vitally important technological equipment, crude oil, and possibly also coffee and tropical fruit, we will also have to pay hard currency for electric power, passenger automobiles, trucks, locomotives, trolleys, streetcars, textiles, machining tools, and Pilsner or Budweiser beer from the Czech lands? Does anyone really believe that Slovakia can earn sufficient resources for those imports with its export of sheet metal, rolled stock, aluminum and concrete, since it must import raw materials for the manufacture of those products? Moreover, world prices of those semifinished products are far below the prices of machine or electrical engineering products where the input of human labor and the designing skills hold a higher share. What quantities of those goods would have to be manufactured and sold in order to earn adequate funds for such purchases? Furthermore, their production requires, among other things, extremely high inputs of power, which in Slovakia is in short supply and must be imported from the Czech lands; in addition, its production pollutes the environment. The ratio of installed capacity of the power engineering system in the Czech Republic as compared with the Slovak Republic is 3:1, which means that Slovakia imports about one third of the power it consumes from the Czech lands, mainly from the thermal power stations in North Bohemia which "succeeded" in creating there a moonscape and destroying everything: soil, water and air. UN literature classifies that area as the most polluted part of Europe. Nothing of that sort, and particularly nothing of that extent, has occurred in Slovakia! Thus, even for such purely utilitarian reasons it is preferable for Slovakia's citizens to live in a common Czecho-Slovak state. If Slovakia should break off, it would need to import power, for instance, from Austria, but first it would have to build transmission routes and then pay for the power. We have already mentioned our prospects for payments. Speculations about turning off the valves of the oil pipeline are not realistic for the simple reason that it is Soviet oil and the USSR, if it is interested in further trade relations with the Czechs (which it certainly is), will easily force the Slovnaft company to let the crude oil or gasoline flow westward. Moreover, serious consideration is now given to a plan for an extension of the

pipeline from Ingolstadt, FRG, to Kralupy or Litvinov, which would make the Czech lands practically independent from deliveries from the USSR.

### Only at World Prices

In the future the international trade will use no other currency but free exchange—this fact must be recognized! Even with agreements that would leave all future mutual trade between appropriate Slovak and Czech enterprises unchanged, goods or products will have to be priced in accordance with world prices. Even if the free market will not be based on convertible exchange, the clearing or barter method of commercial exchange will demand that goods as such be available in sufficient quantities and be of required quality so that one product may be traded for another. How does Slovakia propose to deal with the fact that thus far, the CSFR has been earning about 80 percent of free exchange from exports of goods manufactured in the Czech lands (after the war it was as much as 95 percent)—the whole spectrum from transportation technology, turn-key plants for chemical and power engineering industries, up to glass, textiles, beer, hops...? In the past years, however, the earned free exchange was divided according to the 33.3:66.6 ratio. Moreover, in view of the relatively more extensive capital investment construction in Slovakia, free exchange in the form of costly technology from the West, amounting on an average to almost 5 percent above the 1:2 ratio, has flowed here year after year over the past 10 or 15 years.

### Interpretation of Slovak History Contested

91CH0926A Bratislava KULTURNY ZIVOT in Slovak  
2 Sep 91 p 4

[Article by Jan Rychlik: "Frantisek Vnuk and the So-Called Slovak View of History"]

[Text] The Czech normalizing historian Vaclav Kral, who "cleansed" Charles University after 1968 of opportunistic and revisionist elements, often spoke about the need for a "class interpretation of historical developments." It seems that one fact is not equal to another fact, and only the linking together of important facts gives us a "true" picture of our past. But which fact is important and which is not was decided by Comrade Kral himself. The result of such a selective process was the already mentioned "class interpretation" of our history, that is—translated into a more understandable language—such falsification of our past as suited the Communist Party needs of the moment.

Professor Kral is dead now, but it seems that his methodological approach was not peculiar to communism. After the November revolution, there appeared in Slovakia the neo-Ludak publicist Frantisek Vnuk, author of many books on Slovak history, particularly on the era of the Slovak State. In his interview for LITERARNI TYZDENNIK Vnuk called for "looking at Slovak history through Slovak eyes." He says it is not right to



criticize Jozef Tiso and the Slovak State, because it was, after all, "our" state and "our" president. In the interest of the "Slovak view"—that means, rehabilitation of the Ludak regime—Vnuk, as Comrade Kral in his time, determines which fact is important and which is not. In fact, he himself explains it in his article "The People's Party in Slovak Politics" which was published in 1968 in the ALMANAC OF THE SLOVAK IN AMERICA. According to Vnuk, the fact that the Slovak nation had its own state between 1939 and 1945—although it was a puppet state existing at the beneficence of Adolf Hitler—is such an important and epochal fact that certain shortcomings (here Vnuk has in mind such details as the participation in the war against the countries of the anti-Hitler coalition, or deportations of the Jewish population to death camps in occupied Poland) are really inconsequential. It is the same sort of thing as when communists judged historical eras according to whether society was growing closer to or more distant from the ideal of humanity—communism. The fact that the Stalinist regime in the USSR was responsible for the death of millions of people is in the light of the "epoch-making Great October Socialist Revolution" only a more or less unimportant trifle. Whereas communists describe history as the history of class struggles, at the end of which there appears a "classless" (meaning communist) society, Vnuk describes Slovak history as a struggle of the Slovak nation for its own state and sees the fulfillment of that ideal in Tiso's republic of 14 March 1939. True, Mr. Vnuk has to come to terms with such a fact as the Slovak National Uprising. If the Slovak State was the pinnacle of the development of the Slovak nation, how is it possible then that in 1944 this nation rose against its "own" state? For that reason, Mr. Vnuk wrote already in 1964 a book with the significant title *Neuveritelne sprisahanie—vojenske a politicke akcie proti Slovenskej republike* [*Incredible Conspiracy—Military and Political Acts Against the Slovak Republic*]. The Slovak National Uprising is an act of irresponsible adventurers, Czechs, "Czechoslovaks," and communists, in fact, only some kind of "mistake." As Jozef Jablonsky correctly wrote already in 1969 in his book *Z ilegality do povstania* [*From the Underground to the Uprising*], to people like Mr. Vnuk the uprising must really seem to have been merely an "incredible coup d'état."

Of course, Mr. Vnuk has a right to his own opinion. As a historian I want to say that I even recognize a certain phenomenalistic contribution in Vnuk's books. But it is not possible to agree with Mr. Vnuk's theories, because his so-called Slovak view is based on two assumptions: 1. The ideal and normal condition is when each nation has its own state; 2. Even an undemocratic, totalitarian, and in reality, only a seemingly independent, state means more for a nation than coexistence with other nations in a democratic, supranational state. In order for a nation to achieve an independent state, all means are morally permissible (in his book about A. Mach, Mr. Vnuk used this so-called "sacred national egotism" to justify the cooperation of Ludaks with Nazi Germany). Both mentioned assumptions are incorrect.

Every nation has, of course, the right to its own state. But a practical realization of this right depends on specific

geopolitical conditions. When we concede that the desirable condition is for every nation to have its own state, then we can choose one of two possibilities: Either the boundaries will be determined according to economic, communication, and geographic criteria, and in such case there will be numerous national minorities in the neighboring states, or the boundaries will be established strictly according to the ethnic criteria, but in such case it will be impossible to prevent the existence of states that by and large lack economic and military viability. Because nations come into being and also cease to exist (for example, even such ethnic groups as Bretons, Frisians, and Lapps have the possibility of becoming in the future that which we call nations), in fact using the national criteria for building a state means permanent instability. That is the reason why West Europe today prefers the citizenship to the national criteria for building a state. The same applies to the situation in Africa, for example, where the boundaries of the states do not respect the ethnic situation at all.

Let us now concede the hypothesis that for Slovakia an independent state really is the ideal solution. In such a case it can be even conceded that the Ludak state of 1939-45 represents a certain value in Slovak history. But can we agree with the concept of Mr. Vnuk that the existence itself of this formation rehabilitates its crimes? Of course not, because if we go along with such a notion, we totally dismiss the problem of a moral profile of the regime as insubstantial. We can then also rehabilitate Hitler's Reich by claiming that although national socialism "had certain flaws," the fact that it succeeded in extending the boundaries of Germany to the boundaries of Europe completely nullifies these "flaws." Vnuk's theory does not stand the test, because the absolute opposite is true: The fact that Tiso and his state allied themselves with Nazi Germany completely devalued any contribution the Slovak State may have made. The Slovak writer Dominik Tatarka made a correct observation, directed at the federation adopted with the assistance of Soviet occupiers: "I do not accept freedom from the hands of the occupier!" For the Slovak nation, therefore, the Ludak Slovak Republic of 1939, as the pseudofederation of 1968, are worthless. True, the Slovak nation provided material sustenance to part of the Slovak nation. This fact was "interestingly" evaluated by Durcansky, the foreign minister of the Slovak State, when he said: "What did the Slovak Republic give to the Slovaks? Grub! That passes through the digestive tract and you know what becomes of it!"

An educated and mature nation such as the Slovak nation does not need to redraw its own history in rosy colors, and therefore can also manage without a "Slovak" interpretation of history. The right of nations to self-determination includes the right to create or not create their own state, according to what is more expedient under a specific historical and geopolitical situation. But this right does not entitle them to falsify their own history in the interest of special political goals.

### **SZDSZ Submits Laws to Constitutional Court**

*91CH0862B Budapest MAGYAR HIRLAP  
in Hungarian 9 Aug 91 p 1*

[Unattributed article: "Alliance of Free Democrats Submits Package to Constitutional Court"]

[Text] "In defense of local governments, the Alliance of Free Democrats [SZDSZ] has turned to the Constitutional Court," announced representative Istvan Szigethy yesterday at the SZDSZ press conference.

The Free Democrats request joint review of three laws concerning administrative authority, ownership of former church property, and passage of ownership of state property into the hands of local governments. They object that some sections of all three laws violate constitutional decrees that protect local governments, and they believe that a two-thirds majority is necessary for approval of certain paragraphs—said representative Szigethy, summarizing the party's opinion. In connection with the latter claim, he emphasized that the government and a majority in the parliament exhibit an appreciable tendency to disregard the two-thirds rule. For this very reason, the Free Democrats not only allude to concrete laws in their petition but also hope to improve the constitutionality of parliamentary work.

According to the SZDSZ representative, it is a dangerous practice when the parliamentary Constitutional Affairs Committee regularly takes a stand on issues requiring a two-thirds votes and a simple majority is sufficient for a decision by the government-party majority committee in most controversial cases. In this connection, Istvan Szigethy mentioned that with reference to the compensation law, for example, the Constitutional Court has indicated that most cases affecting local government ownership must be decided by a two-thirds majority, although earlier the Constitutional Affairs Committee had represented a contradictory viewpoint and the House had voted accordingly. The SZDSZ concluded that parliament would be saved from wasting time and doing superfluous work if such "two-thirds" cases were not subsequently resolved.

Switching to concretely criticized statutes and alluding to the church ownership law, Istvan Szigethy called it unconstitutional for the law not to guarantee that if there is only one school in a settlement, the school must be ideologically neutral. According to SZDSZ experts, lack of this guarantee endangers freedom of religion and conscience. The experts likewise find it troublesome that with respect to official decisions the opportunities for legal redress are limited. Recourse to the courts is possible only in the case of concrete violation of the law. Representative Szigethy mentioned an extreme example that could occur: It is decided that in a given settlement only one of, say, nine schools remains under the local government, which is capable of handling the task. There is no legal redress against such a decision. It is likewise troublesome that a legal complaint cannot be lodged when former church properties are registered—only after

the property is transferred—even though a restraint on alienation and encumbrance goes into effect at the time of registration. It also grieves the SZDSZ that Paragraph 15 makes possible unlimited compensation for any former church property, regardless of the latter's function. In the case of the other two laws, the Free Democrats primarily object to omission of approval by a two-thirds majority. It is their interpretation that specification of new assignments for local government or restriction on ownership by local government require approval by such a two-thirds majority, it was emphasized at the SZDSZ press conference.

### **MDF's Fur, Csurka Attack Media at Conference**

*91CH0862C Budapest MAGYAR HIRLAP  
in Hungarian 12 Aug 91 p 3*

[Article by Andras Gyorgy Lengyel: "Lajos Fur Also Promises Hungarian Rebirth: Up to the Present, Imperialism Was the Enemy; Now It Is the Press...."]

[Text] The most important task of the farmers' clubs is to organize production, disseminate information and, as an agency that represents special interests, to help implement the compensation law, it was heard several times Saturday in Hodmezovasarhely at the conference of the National Alliance of Farmers' Clubs. At the gathering, Agricultural Affairs Undersecretary Laszlo Sarossy, National Assembly Representative Istvan Csurka, and Defense Minister Lajos Fur vehemently attacked the press, which expresses doubts about the compensation law or last week's meat campaign. Gabriella Farkas, agricultural deputy chairman of the MDF [Hungarian Democratic Forum], made it perfectly clear that the most powerful government party assigns the farmers' clubs the role of communicator.

According to Laszlo Sarossy, the contribution of these clubs to the compensation effort is desirable because "people have been badly misadvised, and they have received erroneous information, the purpose of which is to discourage them from reclaiming the land." According to the undersecretary, the "lie has been spread throughout the country" that those who reclaim their land will receive no pension. The other erroneous news is that production relations are entangled with compensation. The speaker said that compensation is justified by the fact that in recent decades one-third of all food was produced on private plots. The campaign to gather signatures against compensation is an "unprecedented stab in the back by means of which an attempt is made to hinder the process of agricultural transformation." With statesmanlike grandiosity, Sarossy then used phrases such as "perfidious slander," "malicious charges," and "feverish, bottle-fed hysteria," as he lumped together the press, the agricultural lobby, and the communist hierarchy. The wisdom of the government's agricultural policy is shown, said the undersecretary, by the fact that during a three-day period last week 3,800 tons of meat

were sold at prices 30-60 percent cheaper. Yet the "nationwide crusade" against meat continues in the press.

His tone changing from passionate to scornful, Sarossy later thanked Gyula Thurmer for trying to sell Hungary's wheat surplus to Moscow. "But he won't be the wheat dealer in this country," added Sarossy, "because there is a market for grain, we know how to sell it, and we must not be taken in by rumors." The potential markets were not named by the undersecretary.

Defense Minister Lajos Fur also discussed "vociferous instigation by the press, which attempts to sabotage the law and reduce the law's effectiveness." Amid applause at the end of his speech, the politician, who is also a well-known historian, recalled the slogan circulated by communists in 1945: "The birds of ill omen caw in vain day after day; there will be a Hungarian rebirth!"

After the arguments of economists and historians, Istvan Csurka provided some variety: In a neoromantic style, he praised the matchless beauty of the Hungarian landscape, chastised the communists for seeking to save themselves, and exhorted the Hungarian people not to become the slaves of "foreign interests, foreign ideas." Csurka bitterly criticized the press, which is "given to lying and to disseminating vile nonsense." But it is no longer possible to hoodwink a citizen who "at last can bring home five to six kilograms of meat." This was the ultimate conclusion of parliamentary representative Gyula Zacek in his analysis of the MDF market.

Gabriella Farkas, who was introduced at the conference as the MDF's agricultural deputy chairman, declared: "In the dispute between cooperatives and those who reclaim their land, the farmers' clubs, which are naturally on the side of the latter, must assume the task of representing special interests. If their efforts fail, the regional MDF offices will represent the interests of those who demand compensation."

#### **Official on Preparation of Press, Media Laws**

91CH0862A Budapest MAGYAR HIRLAP  
in Hungarian 10 Aug 91 p 5

[Interview with Edit Papacsy, deputy undersecretary of state, by Edit Molnar; place and date not given: "Conversation With Deputy Undersecretary of State Edit Papacsy About Impending Press and Media Law"]

[Text] What is the status of the impending press and media law, we asked Dr. Edit Papacsy, deputy undersecretary of state at the Ministry of Justice. To begin with, she pointed out that there are two laws which differ considerably in their method of approach.

[Molnar] Where does the difference lie?

[Papacsy] The press law approaches freedom of the press from the viewpoint of basic human rights, similar to the law regarding right of assembly and freedom of religion

and conscience. There is no Hungarian precedent for the media law or—in the words of the Constitution—the law regarding control, management, and organization of news agencies and public radio/television, the granting of licenses for commercial radio/television, and the prevention of media monopolies. It is necessary to formulate this law because the number of available frequencies is limited, and the moratorium will last until the National Assembly passes the law.

[Molnar] Does the media law have to indicate how many vice-presidents there are and how they will be appointed?

[Papacsy] It's not mandatory. The media law concept was developed by a work committee in cooperation with Hungarian Television experts. The Ministry of Justice examined the concept from the standpoint of how it conforms with law and order. We sent a first version of the law to the parliamentary subcommittee on press affairs, and we consulted with churches, other cabinet ministries, special interest groups, municipal government organizations, radio and television people, local agencies, cable television, and the journalists' association.

[Molnar] How can those you alluded to participate in writing the text?

[Papacsy] As far as we know, MUOSZ [National Federation of Hungarian Journalists] forwarded the text to other agencies with which it associates. The interested parties have the opportunity to send along their comments to us. We examine these comments and if they are acceptable, we incorporate them into the law's text. If we don't agree with the comments, we may forward them directly to the parliamentary subcommittee.

[Molnar] So you don't always forward them to the parliament.

[Papacsy] Not automatically, but at a public meeting the subcommittee began to discuss the comments it received from us and will continue to do so until the end of parliament's extraordinary session. At the ministry, we're now working at a stepped-up pace on the first version of the law's text, and by the time parliament returns from vacation we'll have it ready for the subcommittee to work on.

[Molnar] How far has the press subcommittee come?

[Papacsy] There is already agreement on a few basic issues: for example, that in connection with the operation of Hungarian Radio and Hungarian Television a supervisory board must be created and that the board cannot actively interfere with programming. There is disagreement, however, over the size and makeup of the board. There is agreement that public radio and television be politically neutral and that advertisements be restricted. The subcommittee agrees that antimonopoly regulations are necessary but disagrees, for example, over how many radio or television stations a corporate

body may own. There is agreement that the producers of commercial programs be required to broadcast domestic and foreign shows of public interest. There is agreement that a closely monitored board, skilled in public proceedings, decide who is qualified to produce radio and television programs—this board, however, must be created. In some 100 sections, the law refers to these still unresolved details, but it does not deal with issues already handled by the press law.

[Molnar] It is assumed that there will be a new press law.

[Papacsy] The government accepted a draft of the press law and is about to submit it. Its fate is then in parliamentary hands. By the way, the press law would be accompanied by a constitutional amendment, because freedom of the press and prohibition of censorship must be guaranteed in the Constitution. Only a few things restrict the exercise of press freedom. For example, you cannot infringe upon individual rights that are also constitutional rights. The press's duty to offer compensation may change: if a person's rights, honor, reputation, etc., are injured, the injured party is awarded compensation not exceeding 1 million forints. Up until now in such a case, the press was merely required to pay a small fine in the public interest.

[Molnar] How does the guilty newspaper pay? Does it have to make a security deposit?

[Papacsy] There will be no such deposit. Whoever cannot pay may go bankrupt. There are three versions of the antimonopoly rule. It is up to parliament to decide how many periodicals—in addition to a daily or weekly newspaper of nationwide circulation—a person may own. The press cannot do what the penal code forbids. For example, the press cannot commit crimes against the

state (alter—or prepare to alter—the constitutional order by violence) or crimes against humanity (warmongering or crimes against ethnic, racial, national, or religious groups) or incite people against the community or authoritative law and order.

[Molnar] In such a case, how can action be taken against the press?

[Papacsy] In the cases mentioned above, the press law guarantees a special prosecutor who can temporarily halt circulation of the periodical. At the prosecutor's suggestion, the court decides within three days whether or not to ban circulation. If a trial is subsequently held, the court may impose a fine or prison sentence.

[Molnar] What happens if the crime comes to the prosecutor's attention later on?

[Papacsy] In that case, too, the foregoing action may be taken. The special prosecutor's jurisdiction extends not only to periodicals and newspapers but also to radio and television broadcasts, as well as circulating books, posters, and cassettes. In the case of newspapers, this merely applies to a single issue and to crimes enumerated in the press law.

[Molnar] Does the press law mention any duty to inform the public?

[Papacsy] No. In this regard, there is merely the rule that the affected agencies are required to make available—in a manner determined by a special statute—data of general interest requested by a journalist. Details will be provided by a law that comes before parliament probably this autumn and that addresses the protection of personal data and the publication of facts of general interest.

### General Privatization Process Delineated

91EP0708A Warsaw RYNKI ZAGRANICZNE in Polish  
No 106, 3 Sep 91 p 7

[Unattributed article: "The Program for General Privatization"]

[Text] The government of the Polish Republic is implementing a program for general privatization. The goal of the program is the quick transfer of a portion of national assets into the hands of all citizens and improved management in the plants which will thereby become privatized.

The program is based on two assumptions:

1. National assets are the property of the entire society because they have come into existence as a result of society's work and effort. It would be unjust if a large portion of the citizenry which contributed to building these national assets through their labor had no opportunity to benefit from their privatization. Privatization is the affair of the entire society and not only its wealthier part. Thus, the goal of the program is to universalize ownership—to give people what belongs to them.

2. In theory, at present the economy belongs to everyone, but in practice it belongs to no one. Plants have no general manager; therefore, production assets are not utilized properly and sometimes they are simply destroyed. The situation in Polish industry is in disarray and everyone wants this to stop. Thus, improved management is the second goal of the program for universal privatization, i.e., the goal is to find a good general manager in plants.

The program will be implemented in the following way:

#### The Selection of Enterprises and Their Conversion Into Stock Companies

In June 1991, the Ministry for Ownership Transformations prepared a list of 650 plants from which the plants to be used for the Program for General Privatization will be selected. On this list are those plants which themselves approached the ministry and expressed a desire to become privatized (let us keep in mind that the employee council together with the management may make such a request), as well as those plants which were selected by the ministry. Finally, in July 1991, those 400 enterprises which had the best economic situation were selected. These enterprises represent a large portion of industrial assets. According to the current status quo, they provide approximately 25 percent of state industrial production (with the value of their sold production taken as the measure) and they employ approximately 12 percent of all workers.

The 400 plants which have been selected will be transformed in August of this year into single-person companies of the State Treasury (they will be commercialized). Each of them will become a stock company; the stocks,

however, (of which each represents a share of the value of the plant) will continue to be owned by the state at this point. The same advisory firms which aided the ministry in its selection of enterprises will review the situation and will look for so-called simple reserves (i.e., quick and cheap ways to improve the situation) in the enterprises encompassed by the program.

#### Stock Distribution

Enterprise stocks will be divided into three groups:

A. Sixty percent of the stock will be transferred gratis to citizens through the brokerage of specially appointed institutions called National Assets Boards.

B. Ten percent of the stocks will be transferred gratis into the hands of plant employees.

C. Thirty percent of the stocks will remain in the hands of the state.

The fact that the stock will not be sold and will be transferred gratis is an advantage of the newly implemented program. In order for the stocks to be sold their price would have to be set. This would require that a plant assessment be conducted.

#### National Assets Boards

In the fall of 1991, a dozen or so National Assets Boards will be created. These will take over 60 percent of the stock of enterprises undergoing the program. They will become their co-owner and will have a decisive right of vote.

The National Assets Boards will assess the results of the plants under their jurisdiction and will exercise control over these plants. In this way, the plants will obtain a general manager who will be responsible for them.

Every National Assets Board will have a Supervisory Council, the task of which will be to select the management and to supervise its work. The management will exercise supervision over the plants that are under the jurisdiction of the board.

The Ministry for Transformation Affairs will approach the president of the Polish Republic to select the Supervisory Councils of the boards. These councils will be made up of persons who enjoy the trust of the public and specialists from the fields of law, finance and economics. The Supervisory Councils will appoint boards of directors from among specialized management firms, both Polish and foreign. In this way, institutions will be created corresponding to Western trust and holding funds—systems which have been tested throughout the world and which occur universally in highly developed countries.

The best foreign firms will be invited to take part in the General Program for Privatization. Their task will be the everyday direction of boards under the tutelage of the



Supervisory Councils. These firms will receive remuneration according to the results of their work. The system of remuneration will be set up so that the management firms will be interested in the most significant increase in the assets of the enterprises under their jurisdiction. This procedure was selected on the basis of the following reasoning:

Currently Polish enterprises find themselves generally in a deplorable financial and economic situation and their value is quite low for this reason. Ordinarily they are unable to manage under new conditions. They have difficulty finding a market (this phenomenon is manifested quite dramatically in the case of those plants in which the major part of production was sold to the Soviet Union). In addition, they are not in a position to acquire credit.

They need a good dose of the modern—both modern technologies and modern management. Introducing modern solutions in carefully chosen areas—in marketing, for example, improving product quality, seeking new markets and setting up production in accordance with the needs of Polish enterprises will bring about an improvement of the situation relatively rapidly. Then the value of plants will begin to rise from its current low level. However, two things are needed for this—money and familiarity with the world economy. The use of good foreign management firms in the Polish economy will make possible the introduction of new solutions and will open broad access to knowledge of foreign markets, Western technology and the international credit market. Moreover, it will have yet another positive result—it will force Polish financial institutions, which will likewise be able to find themselves on the National Assets Boards, into stiff competition.

The Ministry for Ownership Transformations, together with their adviser—the British S.C. Warburg Bank—is currently conducting negotiations with a dozen or so world-known management firms. Interest in Poland's offer is great and is fully understandable. Foreign firms will work for the enterprises, but they will not have the right of ownership of these firms.

#### **Secure and Just Enfranchisement**

Polish citizens are becoming owners of a portion of property which was transferred to the National Assets Boards in the sense that they are becoming shareholders (stockholders) in the boards themselves. All citizens who possess the right of permanent residence and who have attained at least the age of 18 as of 31 December 1991 (i.e., who were born before 1 January 1974) will have the right to participate in the program. Each of the boards has issued shares (each share will represent a portion of the assets of the boards) and every adult Polish citizen will receive, gratis, one share in every board. What the citizens receive is not the stock of privatized plants but shares in the National Assets Boards, which are the owners of plants.

The following question arises: Is it not possible to simplify this system and transfer gratis to citizens or employees directly the shares in the plants themselves? The answer to this question is very simple—this cannot be done justly. The government's plan is for every citizen to have equal opportunity and for every citizen to receive stocks of equal value. The transfer of stock requires an assessment of the value of privatized plants, which cannot be readily done at present. On the other hand, it would be unjust to transfer ownership to employees themselves for the following reasons: in the first place, the employees of some well-equipped plants would receive considerably more than those who work in poorly-equipped plants or plants which have greater problems at present; in the second place, those who do not work in private plants—farmers, the health service, teachers, administrative employees and others—would feel slighted.

A share in a National Assets Board is a portion of its value. It thus depends upon the value of the plants of which it is co-owner. An assessment of plants has not been conducted and thus it is currently not possible to make an exact estimate of their value. For this reason, in order to avoid speculation in shares, the value of which is not precisely determined, these shares may be sold beginning in the spring of 1993. This is justified by the fact that in the spring of 1993, annual balance-sheets of the plants under the Assets Boards will be published (and the balance-sheets of the boards themselves will be drawn up on this basis). This will make it possible to assess what profit they have brought in to their owners.

Since the boards will be interested in maximizing the value of their assets, we may expect that at least during the initial period, the profit obtained from plants will be designated by them not to pay their shareholders (i.e., all citizens) but to strengthen and develop those plants which stand the best chance of bringing in a profit. In this way, a system of financing changes in plants will arise which is based on their renovation and development. In this way, too, the monies will be invested where they can best be utilized.

#### **Registration in 1991**

Citizens will receive shares in the National Assets Boards in the following way:

Proof of having been entered on a list of stockholders will be possession of personal proof of a registration number. At present approximately 90 percent of the citizenry has such a number. Those who still do not have this number may receive it upon request from the Gmina Office at their place of residence. Beginning in November 1991, every adult citizen will be able to approach his Gmina Office for the verification or issuance of his registration number. Simultaneously, each citizen will receive an informational brochure describing the principles of the Program. An already existing computerized registration system known as PESEL will be used for the registration. Thus, PESEL will be a kind of



shares bank and the registration number, in turn, will be a kind of account number for the account in which a citizen has his shares deposited. Upon request, a citizen will be able to obtain his shares in the form of stock certificate whenever the sale of shares is permitted. Then he will be able to decide whether he should sell these shares for cash at the price that can be gotten at a given moment or whether he should keep them in the hope that their value will increase. Since the purpose of the Assets Boards will be to maximize the value of his property, the latter route will certainly be more profitable over the long term. The shares of those citizens who, for some reason, do not claim them, will be kept for them for 10 years. The shares of deceased persons will pass on to their descendants.

What will all this mean for the individual citizen, for individual plants and for Poland as a whole?

The citizen will receive shares which will increase in value. In the future he will be able to sell them or hold them in order to obtain a certain fixed income from them, a portion of the profit due him from the plants which will be privatized within the framework of the general privatization program. As the Polish economy regains its health, the value of the shares held by each citizen will increase.

Plants will receive a general manager who will personally have at his disposal the authority and potential to impact their development. The employees of these plants will gain an opportunity to earn more, initially as a result of the lessening and elimination of employees' going to spend their paychecks after work in the bars and in time as a result of an improvement in the plant environment.

The prospects for Poland are that the economy will be put in order and that new technologies, capital and methods of management will be introduced. In this way, the shift to a market economy will be significantly accelerated.

### Criticism of New Defense Concept Voiced

90EP0700A Warsaw POLSKA ZBROJNA in Polish  
27 Aug 91 p 2

[Article by Lieutenant Colonel Wieslaw Kurzyca:  
"Defense Without Defense: Our Military Strategy"]

[Text] The decline of the Warsaw Pact, palpable already for several years, and the emancipation of its particular members has made it necessary for them to formulate national security policies. In terms of the military forces, this has meant a fundamental revision in the previous principles of their military doctrine. Already at the beginning of 1990, Poland defined its doctrine as defensive; however, at that time, it was rather a political declaration of intention than an expression of a comprehensive approach to the conduct of a campaign, operation, or battle. The declaration was made, but the radically changing political and military situation in the region required additional, or rather above all, further

studies of a new conception of the use of the military forces of the Republic of Poland in defense of the country.

During the recent period given the publications in the specialist and generally available military press, including POLSKA ZBROJNA, and the areas of training activities of the Army (training exercises, lectures), it appears that such a conception is beginning to mature. It bears the name "maneuver defensive operations," and its major characteristics, according to its creator and chief propagator, Colonel Professor Dr. Hab Stanislaw Koziej, are as follows:

Poland is implementing the principles of "defensive independence," reducing its military forces to 100,000 to 150,000 soldiers in peace and to about twice that size after a general mobilization, i.e. to 200,000 to 300,000 soldiers. These forces are to implement the strategic defensive tasks in the case of an attack on Poland by one of its neighboring powers.

Poland's strategic defense, according to the conception under consideration, is conducted as follows: in case of an attack from one strategic direction, or along the breadth of a border (western 460 km or eastern 1,244 km) two corps of land forces consisting of six to eight general-force brigades would defend themselves during the first strategic wave, and in the second strategic wave, two territorial infantry divisions and a so-called air-mechanized division and an air corps in the reserve of the main commander. In the case of a threat along the Polish coast (694 km of coast line), one of the land Army forces would provide a defensive brigade for its defense which would support the defensive efforts of the Polish Navy; similarly, threatened sections along the southern boundary would be defended by a brigade of mountain infantry taken from the second corps of land forces.

The mentioned forces would implement the so-called maneuver defense operations, which would consist of covering actions along the border lands conducted by the subunits of the territorial defense brigades, delaying actions whose point would be "rapid, shifting, or combining changes of defensive and counterattack lines at the tactical level," the ability to execute a counterattack "with an operational reserve of the corps at the level of a brigade in the tactical zone," to execute a defensive battle at the operational or strategic line of defense. In case of the failure of the regular military actions, a shift to irregular military actions and the organization of a general resistance movement on the entire territory of the occupied country would follow.

During battles, the military forces would follow the principle of so-called reduced military intensity, which consists of avoiding engagements with the main forces of the enemy, the greatest possible narrowing of action to "purely military areas," and inflicting losses on the aggressor through "sudden sharp attacks followed by breaking off the engagement...." Col. Prof. Koziej assumes that the Polish military forces do not have an

equal chance in a direct engagement with an overwhelming opponent, and this method of engagement would conserve its own forces, civilian population, and national assets.

After summarizing the main threads of Col. Prof. Koziej's conception, I will present my own thoughts on the subject of the results of its use.

Taking into consideration the military capabilities around Poland, our country's defensive capability as proposed by Col. Prof. Koziej and examining the most favorable variant of possible large-scale armed conflict, the so-called attack in one strategic direction, one should count on at least a four-fold advantage for the enemy. In order to make ourselves fully aware of the situation, I must remind the reader that two corps of land forces (the designation corps is deceptive: In the land forces of other countries it means three or four divisions, while the "corpus" of Col. Koziej is six brigades) would secure a defensive zone of at least 550 to 600 km in width. For comparison, the defensive groups of a heavily armed German brigade are 10 to 20 km.

The mentioned relation of forces and the advantage of the enemy in the air would give him great freedom in choosing the direction of actions, and thus the ability to surprise at the operational and tactical level. From this point of view, the advantage could potentially multiply during the actual actions; in fact, in conducting maneuver defensive operations, one must count on the attacking enemy probably executing force maneuvers, too.

The result of engagements conducted in the described conditions is not difficult to imagine. The main force of the enemy would move in the main direction of attack after securing their flanks and rear against counterattacks by the Polish military, avoiding (in accord with the principle of reduced military intensity) confrontation with the main forces of the enemy in particular directions, with an around-the-clock, probably accelerated attack that reaches and disperses the strategic line of defense (formed by the forces remaining from earlier battles and by what is left of the reserve of the main commander, and thus in all by about three or four brigades across a defensive zone the breadth of Poland from the Baltic to the Tatra Mountains) in at most five to seven days.

Is that a pessimistic scenario?

Taking into consideration the particular aspects of the discussed idea for national defense, it is simply the most probable one. In any case, it is the most probable one not just from the point of view of the relation of forces presented by me and its direct implications. Let us consider the conception of maneuver defensive operations, its fragmentary description presented by Col. Prof. Koziej (delaying actions, maneuvers to execute sudden short attacks, rapid breaking off of engagements, the ability to counterattack with reserves, etc.) indicates that, in general, it is congruent with the principles of

mobile defense which is one of the methods of action of many contemporary armies.

Unfortunately, other than the general description "mobile defense," which (according to the American field text "Land Force Operations") uses combinations of offensive, defensive, and delaying operations, little else agrees. Here are the basic differences. The goal of mobile defense is to breakup an enemy's attack; maneuver defense, according to Col. Koziej, is only to delay his march. In mobile defense, relatively few and light forces move forward in order to concentrate the strong, heavy reserve (so-called because it has great fire power) to execute the counterattack; in maneuver defense, both the forces at the extreme front and in the rear are to be small. Mobile defense accepts only a temporary loss of terrain (until the moment of the counterattack); maneuver defensive does not anticipate recovering terrain (quoting from Col. Prof. Koziej's lecture: "If the battle is won and the enemy's invasion is halted, the main task will be to organize and intensify resistance on the occupied territories."). In mobile defense, engineering construction in the territory plays a major role; Prof. Koziej does not anticipate the construction of obstacles and fortifications before or during the maneuver defense operations. And the most important difference: careful distinction between mobile defense and area defense occurs only at the tactical level; at the highest levels the defense is always a combination of the mentioned forms; maneuver defense, on the other hand, would be used by at the tactical and the operational and strategic level.

Such significant differences incline me to draw the conclusion that maneuver defense operations is an original conception not previously known to contemporary operational art. If that is so, I hope that its author realizes fully what the probable consequences of its eventual use are—the collapse of Polish statehood in the course of five to seven days.

In light of the above, how do the presumed goals of maneuver defense operations look? I will list them again, this time making a brief evaluation of the chance of achieving them:

- Lengthy, organized resistance—this goal cannot be achieved.

Bitter losses inflicted on the enemy—the goal is highly unlikely (due to the shortness of the actions and of the engagements mainly from encirclement and in conditions of pursuit).

Conserving ones own forces—an impossible goal.

Conserving the population and the national assets.

This point requires detailed treatment. To be sure, the anticipated actions will not cause great loses in population and material goods; however, this is not a result of the adopted conception of sustained maneuver defense, but rather of its probable lightning fast course and of the

lack of any need for serious attacks by the enemy on industrial and support facilities.

The question, however, arises: What then? Col. Prof. Koziej assumes irregular actions and a general national resistance movement in the occupied territories, in other words, throughout the whole country. Occupation means, however, foreign exploitation of the material resources and the piracy of cultural goods; moreover, the resistance movement will arouse repression, and thus losses among the civilian population.

How does such a perspective relate to the idea of operations of reduced military intensity? Why conserve military forces (which in any case as I mentioned above cannot be conserved?), the population, and the national assets, in order after a few days to call for a general resistance movement, which is more destructive than regular military action? It is worth recalling that the losses suffered by the Polish state during the period from the end of the September Campaign to the end of the Second World War were several hundred times higher than those suffered during the defensive campaign. Thus, there is a contradiction between the conception of conserving the forces, resources, population, and material assets during the regular actions and the call for a general resistance movement immediately after their conclusion.

- Gaining time for diplomatic efforts.

How long this time will be was stated earlier. Thus, a few words confined to the effectiveness of diplomatic action.

All the European states, the United States, and Canada are signatories of the Vienna Document from talks on ways to build trust and security. Taking into consideration, the provisions of the document, a European country deciding on aggression against another European state must count in advance on diplomatic confrontation with all of Europe, the United States, and Canada. If, nevertheless, it decides on aggression, then certainly it will not cease it because of Polish diplomats until it reaches its planned goals.

- Maintaining the ability to mount an organized resistance movement.

If Col. Prof. Koziej has in mind the maintenance of the above mentioned ability by the armed forces, the goal cannot be achieved.

The balances appears as follows: of the six mentioned goals of maneuver defense operations, four cannot be achieved, achieving one of them is slightly probable, and one contradicts the other part of the conception of the national defense.

The described conception is not credible from at least three points of view:

- First, it cannot be credible for a society that after a few day of regular military actions it is to be burdened with the national defense.

—Second, it is not credible for a military force to be told in advance, that it has no chance, and is to be deployed for extinction.

—Third, it is not credible for Poland's neighbors, and in general abroad, because it does not ensure the ability to halt aggression against our territory.

Col. Prof. Koziej represents the view that society should be aware of and understand that we have powerful neighbors and little money; those abroad, however, should take us for what we are. In my opinion, the Polish taxpayer will not be inclined to pay even one cent for a defense which is only to be a mock up of a defense; on the other hand, he will gladly put out more than today for the realization of a strategic national defense which will actually guarantee the maintenance of independence and territorial integrity.

As regards those abroad: I think that putting the issue in the above mentioned manner derives from Prof. Koziej's mistaken assumption of a completely independent defense. Meanwhile, the art of great strategy consists of, among other things, searching for common defense interests, gaining allies, forming coalitions (not necessarily during peace), and at least ensuring various kinds of indirect support for armed efforts. But will anyone wiggle a toe in their shoe to help the defense efforts of a country of nearly 40 million people that after a general mobilization raises an army of 240,000 to 300,000 soldiers? Obviously not.

It is worth considering the genesis of the conception of national defense as developed by Col. Prof. Koziej. An analysis of its contents leads me to think of two probable sources of inspiration. First, in the description of the conception, we frequently encounter recently fashionable sayings such as a small, modern, fast and mobile army, rapid deployment forces, reserves of the main commander, mountain infantry, movement, maneuver, general resistance, etc. The listed set of terms is a peculiar mixture of the superficial symptoms of a modernity and tradition which until recently was inaccessible to us. I get the impression that the above terms were collected first, and, then, the professor developed a theory using them.

There is a second possibility. Let us examine the following quotations from the lecture on the discussed conception:

1. "We will not win a war with a power in any case, even if we mobilized a large army."
2. "Thus, in the conditions that can be foreseen, the greatest threat for us will consist not of a war on a large scale..., but rather of a local armed conflict...."

The mentioned quotations make me conclude that Col. Prof. Koziej really does not believe in the possibility of a serious armed conflict with one of the powers neighboring Poland. From this point of view, the conception of a maneuver defense operations would be something of

a smoke screen for a situation that is never to happen. That is not clever enough by half, because it is easily deciphered. Moreover, even if the probability of a conflict on a large scale is very slight, one cannot exclude it altogether.

Further, besides the use of force, there is also the notion in international relations, frequently used, of the threat to use force. Although the signatory states of the Vienna Document have renounced the use of such threats, one must realize that it can be made in a veiled form so that the threatening state cannot be formally accused of anything, and the threat would achieve its goal. It is obvious that it is easier to threaten a defenseless country than one possessing an effective defense capability.

I will not undertake to decide which of the described possibilities was the real inspiration for the development of the conception of maneuver defense operations. It is not excluded that both played a role.

After what has been written, the question of another solution of the problem of national defense arises. I am convinced, that a rational solution exists and that it is not the alternative suggested by Col. Prof. Koziej: "Maneuver defense operations or we should change neighbors." Unfortunately, we cannot move to Madagascar. We must seek a solution for our problems here and now.

In beginning to search for such solutions, one should take into consideration several fundamental questions. War is not just the dominion of the armed forces. It takes place on political, economic, psychological, and military planes. I think that a state striving for a favorable implementation of its national strategy must attempt to achieve at least a balance during peace, and an advantage during war across the sums of the components of the particular planes over the sum of the components themselves, in relation to the enemy side. These components act on each other mutually, and it is difficult to speak of a strategic national defense which examines only the military sphere and does not take into account the others: political, economic, and psychological.

The strategy of national defense must have clearly formulated political goals, for example:

1. Not to permit war by maintaining a deterring defensive capability.
2. If that fails to prevent war: Ensure the defense of the independence of the state and ensure the inviolability of the territorial shape after the end of the war.

We should develop a strategy of national defense on all the previously mentioned levels, which will make it genuinely possible to achieve its political goals.

### Criticisms of Western Diplomacy Raised

91BA1145A Bucharest ROMANIA LIBERA  
in Romanian 6 Sep 91 p 1

[Article by Octavian Paler: "What I Don't Understand"]

[Text] I know that there is no point in turning the knife in our memory and in endlessly telling ourselves that at the end of the war, like the other countries in the East, we were sold out; that our freedom was nothing but a commodity offered to Stalin in exchange for peace for the West. It is becoming increasingly clear to us that Stalin cheated after Yalta, and consequently we can accept that the sinister percentage scribbled by Churchill on a bit of paper was a myth and that Stalin alone imposed his wish to incorporate East Europe in the "paradise" encircled by the iron curtain. What is more difficult to believe is that the roots of the East's misfortunes must be sought only in the East and that in the years 1946-47 Western diplomacy measured up to the principles in which it takes pride. But what point is there in endlessly going back to this story? We'd be better off leaving it in the hands of the historians, especially for two reasons. One is that it is becoming an excellent pretext for not seeing our own faults in what occurred. The other is that the West, even while it was driving Ceausescu in royal carriages, much to the stupefaction of the Romanians, or was inviting him to become a member honoris causa of great Western universities, aside from those aberrations, it provided a point of reference, a hope, and a proof that there was a limit to madness, that it had not invaded the entire world.

Except that the West itself seems to call our attention to the fact that beyond the beautiful words of human rights and the rights of peoples there sometimes lies the abyss of the worst aspects of politics. The ones in which the "art of the possible," as politics has been dubbed, is too cavalierly and too obviously replaced by the cold art of selfish calculations. For many years, confronted by the Eastern nightmare, Western diplomacy was happy to represent itself as the pure champion of freedom, justice, and respect for individuals and nations. And we must admit that, against the background of regimes based on lies and crimes, the beautiful talk of freedom and human dignity sounded extraordinarily pristine. Genuine siren songs for people stifled by totalitarianism. Unfortunately, we failed to distinguish between the ideal and the possible and we forgot that politics cannot afford to operate, like dreamers, on the basis of utopias, romantic reveries, and illusions. In view of that, when recently the curses of Yalta began to be lifted, we received some cold showers. One day the Romanians, still under the dominion of the enthusiasm and frustrations of the revolution, began to once again feel like second or third rate Europeans. They were forced to stand in endless lines to get visas from Western embassies intent on checking immigration (which was only normal, nevertheless). More than once the door was slammed in their faces. They saw themselves subjected to humiliating discriminations and treated like Europe's gang of

thieves, merely because fate destined us after the war to enter a tunnel in which we became poorer, worse fed, and worse dressed, and because the regime that rose to the surface on the wave of the revolution forced us to rediscover despair. But I did not mean to talk about this bitter feeling, especially since I realize that at some points the West did very much for us. Moreover, no one is obliged to be sensitive to our misfortune. The West has its own problems, which it can neither neglect nor sacrifice. My present distress has nothing to do with wounded pride or undigested humiliations; it has to do with the style in which some Western chanceries explain their hesitation to recognize Bessarabia's independence.

That the West was not ready to diplomatically ratify this independence I can understand. That the West wants to be realistic, not to force the issue, and behave prudently seems to me equally logical. I don't think that any of us expected the declarations of recognition to start pouring in the next day. But from here to the declaration of the British foreign minister that, with the exception of the three Baltic states, London was not recognizing any other states that broke off the Soviet Union, there is a great distance. And even greater is the distance to the downright amazing reason given: namely, that the British Government found it difficult to chart dozens of foreign policy lines! If I'm interpreting this argument correctly, the nations' freely expressed wish, their right to self-determination, etc., are nothing but beautiful words, fit for UN speeches about the respect due the human being. The truth behind them is more brutal and more cynical. British diplomacy doesn't want to bother about too many interlocutors. And what logic guided the French Government to announce that it recognized the independence of the Baltic states on an exceptional basis? As an exception to what? To the rule that in diplomacy there is no justice, only interests? The Ribbentrop-Molotov Pact is viewed by the entire world, including Moscow, as abject and criminal, but I see that one of its main consequences is ignored without explanation. Thus, Stalin's wish is once again law in a Europe where democracy is talked about more than ever before.

I hasten to add that I personally am not among those tempted by the anti-Western resentments that seem to be the latest fashion. True, I sometimes wonder why the Western countries don't give more careful consideration to the dangerous wounds they may inflict on the sensitivities of the East Europeans, who have suffered too much to accept the calculations of others with equanimity, and to the long-term consequences of these traumas, but that's as far as I go. I stop at what I know to be the merits of the West and, like now, at what I don't understand. I think that I understand fairly well the strategic reasons behind the above-mentioned declarations. What I don't understand is why strategy needs to sweep away any illusion that morality does exist even in an area in which pain doesn't seem to count for much.



### Hungarian 'Chauvinism' Taken to Task

91BA1145B Bucharest LIBERTATEA in Romanian  
28 Aug 91 pp 1, 3

[Article by Hajdu Gyozo: "Hungarian Extremism: A Seven-Headed Monster"]

[Text] Breast-beating extremists and ultrachauvinists among any people or nation constitute the greatest curse for the people or nation in question. No one and nothing, no internal or external force can ever damage a country or the vital interests of a nation as badly as national or racial hatred, nationalistic pride, or chauvinistic hostility. This truth has been demonstrated by many unfortunate events in the historical past shared by the Hungarian and Romanian peoples. Unfortunately, the short period of time elapsed since the December 1989 events has been rather rife in such events. Romanian extremism is to be reckoned with no less than Hungarian foment, just as Hungarian nationalism and chauvinism are no more innocent than Romanian national and ultrachauvinist intolerance. Both are seven-headed monsters! In both cases we see and swallow their sulfurous fumes every day and we are confronted with them at every step like a consuming nightmare, and we have to accept the open struggle required to totally eliminate them from the roots.

The great Hungarian revolutionary poet Endre Ady was absolutely correct when, at the beginning of this century—like his Romanian contemporary colleagues—he shouted in the ear of the old continent, of all Europe: "So far no bigger lie than nationalism has been seen on the battlefield."

We can paraphrase Ady and say: No bigger lie is currently destroying and ravaging our lives more pitilessly than the extremism fueled by chauvinistic hatred, in whichever nation it may originate. And also following Ady's model we can say that before anything else we must have the courage (!) to sweep our own yard and to say: Anyone who today incites against Romanian democracy and against the Romanian people and anyone who confuses Romanian extremism with the entire Romanian people or Hungarian extremism with the Hungarians in Romania is more of a criminal than a murderer. Thus, we must dare confront our seven-headed monster; we must look Hungarian extremism in Romania and abroad in the face and challenge it courageously and with evident realism. Because, whether we admit it or not, this seven-headed monster is running among us like a mad bull.

Here is one of the Tirgu-Mures embodiments of this seven-headed monster rearing one of its hideous heads and spewing venom. The monster's *modus vivendi* is base defamation that knows no bounds. Its roar and filth speak for themselves, so we leave it up to the reader's judgment:

"While on the banks of the Cris river, in Oradea, a popular Hungarian daily was decapitated and disbanded, as fate would have it, in Bucharest the news spread at the Free Press Palace that a suspect and disgusting fellow, the chief editor of the unforgettable former Tirgu Mures magazine IGAZ SZO, whose name I will not put on paper for reasons of emotional hygiene, had settled on the eighth floor and was soon going to bring out an anti-Hungarian weekly sired by hatred of the Hungarians, and to top it all, in the Hungarian language! I won't ask aloud who is giving him money for it and who is financing this perversity, but I think that it is easy to guess: He is financed by the same people who in December discovered the 'terrorists,' the same people who organized the unforgettable March events in Tirgu Mures last year, and later the June events in Bucharest." (Barna Marosi, ROMANIAI MAGYAR SZO, 13 Aug 1991).

According to the above, I was allegedly the savage Hungarian who planned to publish in Bucharest an "anti-Hungarian" weekly "sired by hostility against the Hungarians."

Following Eela Bartok's life model ("My life ideal coincides with the ideal of brotherhood among nations. The Hungarians, Romanians, and Slavs must stand by each other in this country, because in fact they are brothers."), since its foundation three months ago, our cultural and friendship association Egyutt-Together has been concerned with organizing cultural and art events, shows, and literary evenings and with preparing the publication of various material and articles.

Can it be that the faithful pursuit of Bartok's life ideal is here and now the betrayal of our Hungarian nation? Can it be that the universal spiritual heritage of Bartok and Brancusi, under whose influence we began our activities together with our best Romanian and Hungarian friends (currently being at the beginning of our organizational work) is the main argument for the anti-Hungarian character of our future publications (books, albums, etc.), or the main argument for my alleged attitude as a renegade "sired by hatred of the Hungarians?" (What I did in the past 40 years as chief editor for Hungarian literature in my country, for the cultural life of my nation, and for its preservation is no longer of any value, of course?!)

What kind of perversity, what kind of base slime, what kind of instigation, what provincial Hungarian shamelessness, what futile stubbornness, what criminal and savage attack, what discreditation is this, Messrs. Hungarian extremists?! And the spokesman for all these obscenities is the Bucharest daily ROMANIAI MAGYAR SZO?!

One thing must be clear: I never have, I do not, and I never will rub shoulders with you, and if that is the reason that you, Messrs. Hungarian instigators, calumniators, demagogues, and extremists don't view me as a Hungarian and, moreover, if that is why you view me as



a Romanian and anti-Hungarian footsoldier, then you can rest quietly, I will not despair and will not put ashes on my head. If being a Hungarian depends on whether I gang up with you, then I am proud of not being a Hungarian in your eyes and in the eyes of those who beat their breasts like you. Because I have a firm belief and an immovable conviction that the more heads of the seven-headed monster of Hungarian extremism we manage to chop off, the fewer heads and the less power will the seven-headed monster of Romanian extremism have.

### **Pronationalist Bias in Army; SRI Charged**

91BA1145C Bucharest ROMANIA LIBERA  
in Romanian 5 Sep 91 pp 1, 2

[Article by Nicolae Manolescu: "Political Psychoanalysis"]

[Text] Through some of its most important branches, the current regime has transformed the dialogue attempt of the Declaration-Appeal of the Civic Alliance and the Alliance Party into a ping-pong game. The FSN [National Salvation Front], the government, the National Defense Ministry, and the SRI [Romanian Intelligence Service] responded in great haste in a bid to merely get the ball over the net and into the field of the team on serve. The Declaration-Appeal came at a tense internal and international moment and contained a warning. More than anything else, the responses in question denoted lack of political seriousness. But not only that: One can read in them a subconscious reaction that is as significant as it is dangerous to the country. Allow me to interpret it. A bit of political psychoanalysis is not in the least superfluous. The four responses to which I referred share two traits in common. The most striking was irritation. A badly concealed irritation that shows that the regime is not capable of logically examining, unemotionally as it were, the situation assessment offered by people whose position is different from its own. Ready to react aggressively, to insult (see the trivially mediocre series in AZI!), and to reject the opposition's observations as a whole, the regime is not at all interested in lending an ear to the latter's arguments. That is certainly not a proof of democratic spirit or political intelligence. The reply furnished by Mr. Stoica for the FSN evinced even a note a frustration. His irritation seemed to stem from the fact that the PAC [Civil Alliance Party] disappointed his expectations. Since there was no agreement between the FSN and the PAC, only an appeal to dialogue by the latter, the FSN's frustration can probably be explained by the illusions it had about about a possible change in the PAC's options. The FSN's desire to win the PAC to its side must have been very great for the sadness of the failure to appear so deep. The second trait of most of the replies was their defensiveness. In spite of the lively tone, the authorities did nothing but justify themselves. Qui s'excuse, s'accuse! [Excuses are a sign of guilt!] It did not propose anything. At the most it revealed its lack of desire to change. The Declaration-Appeal requested the formulation of a clear and constructive position. Instead, the

regime chose to dig its heels in a position unfortunately reminiscent of Ceausescu's classical stance at the time he was facing the reform movement in the USSR and the other communist countries. Essentially, it sounded as follows: Romania has already achieved a state of law and is no longer in danger of a restoration of totalitarianism, like the USSR experienced during the hot days of the military putsch. I leave it up to the readers and to the rulers' conscience to judge this political arrogance.

The proofs that can be cited against the dangerous complacency of the authorities, which are numerous. At the very onset of the events in the USSR the FSN adopted a declaration clearly outlining the dangers of both left-wing and right-wing extremism. "The extremist forces must be excluded from Romanian politics," stated the communique published in AZI on 20 August. When the coup d'etat in Moscow failed, the FSN returned to its old conciliatory attitude toward national-communism. That is the only explanation possible for the fact that the government party now thinks that the PSM [Socialist Labor Party] should not be banned, and refuses to support the PAC in its request to do so. The Declaration-Appeal was designed to keep alive the nation's vigilance in the belief that the putsch fiasco in Moscow provides a lesson less rich in morals than the fact that it took place at all. I think that here lies the fundamental difference between the assessments of the FSN and the PAC: The government party was content to congratulate itself on the failure of the attempt staged by Yazov et al., and went back to the blind spot it always had for extremists, while the PAC is still worried about the possibility that the causes and circumstances which led to it may be repeated in our country and in other former communist countries, and demanded the banning of extremist groups. The Defense Ministry communique nonchalantly dismissed both the persistence of communist structures and of discredited people among the Army, as well as the existence of certain forms of chauvinistic propaganda among the troops and officers. But these are a matter of evidence. A considerable number of officers published nationalistic articles in the extreme-right press. The military program on TVR is a haven for chauvinism and it even dared to invite Mr. C.V. Tudor to talk to the troops about Michael the Brave immediately after the editor of ROMANIA MARE had suspended his loathsome publication in the wake of criticism from the government and the president. A number of cadres from the Ceausescu army are still in their posts. Some of them have made revolting antidemocratic statements (as in the case of General Cheler on 1 December last year). And finally, the coalition of interests of this category of communist officers was probably responsible for the failure to clarify the Army's participation in the suppression of the rebellion in Timisoara, Sibiu, and Bucharest in December 1989. Does the Romanian Army not wish to regain its prestige by eliminating the dry wood that discredits it? That is all that the Declaration-Appeal requested from the Romanian Army.

A guilty vehemence characterized the SRI reply provided through Mr. Nicolae Ulieru: "aberrant," "imaginary," "tendentious," etc., were the adjectives used to discredit the Declaration-Appeal. It rejected the request that the SRI operate "within the confines of its natural competencies in a state of law," stating that that had already been achieved. The SRI contribution to the miners' incident, the Berevoiesti case, the beginning purges of officers who allegedly did not adjust to the new requirements (I wonder what is meant by that), and generally the complete lack of transparency bespeak exactly the opposite. As for the fact that the SRI is politically neutral and obligated by law to investigate both fascist and communist activities, that is the case only in the sweet demagoguery of its leaders: The PSM was founded illegally and it clearly proclaimed its communist options without the SRI showing any concern. On the other hand, the clearly anticommunist Declaration-Appeal instantly brought Mr. Ulieru on the TV screen black of countenance and ferocious as if he was dealing with "enemies of the people." The SRI spokesman himself stated in an interview that he liked ROMANIA MARE. Dramatic leaks of information from the SRI and the Defense Ministry (who held and continue to hold the archives) to the magazine EUROPA and to the same ROMANIA MARE indicate clear links and even some complicity. Is any commentary still necessary on the illusion of equal political neutrality vaunted by the SRI?

The government's communique seemed to me to be the most skillful and at the same time the most significant. In brief, the government took the opportunity to reassert its political line, claiming that it was allegedly moderate and balanced and that it wanted to spare the country useless suffering by a too rapid and too radical reform. The opposition was burdened with the responsibility for its attitude to the contrary. I want to begin by noting the paradox that the government should temper its reforming enthusiasm precisely at a time when the Soviet perestroika has so dramatically demonstrated its risks. Forced by the events, Gorbachev himself gave up supporting Gorbachevism. Precisely at this time, our government, however, thinks that a soft solution to the transition will preclude social convulsions and preempt restoration attempts. Precisely when it has become absolutely clear that the incompletely dismantled communist structures and keeping conservative communists in decisionmaking positions were at the origin of the military putsch in the USSR, Mr. Roman's government serenely folds its arms and places itself under the protection of the Lord. Shouldn't the Soviet lesson have prompted it to become more radical? The government's attitude is all the more difficult to understand as we now know—although it has not been officially reported—that the coup d'etat in Moscow was not limited to providing abstract hopes for our conservatives of the former PCR [Romanian Communist Party], the former Securitate, and the Army, but that it reactivated actual hostile forces which regrouped militarily and drafted lists of public figures to be eliminated. It may perhaps be needless to

add that I myself figured on such a list, but we should all know that so did several ministers, beginning with Mr. Roman. In these conditions, what are we to think about the serenity of the government's spokesman? Or of Mr. Ulieru and of the Defense Ministry representative? Equally significant is the fact that the three institutions are as uninterested in a concrete and precise reply as they were skilled in rejecting the Declaration-Appeal. The wooden language used dispensed with the need to say anything. There is clearly a pact of silence among them concerning the real dangers and a pact of aggression against the PAC. Less clever, the FSN's official daily did not manage to hide its motives as well and went as far as to identify "our Yazovs" in the Alliance Party. And since we are dealing with a political psychoanalysis, I think what is happening is quite clear: The regime's subconscious does not see danger in the communist extremism and in the conservatives hostile to the reform, but in the Alliance democrats and in the supporters of a genuine reform. Today we all know where a similar subconscious led Gorbachev. God protect us!

#### Japanese Reluctant To Invest in East Europe

91BA1115A Bucharest TRIBUNA ECONOMICA  
in Romanian 23 Aug 91 pp 30-31

[Article by Ioan-Mihail Stoian of the Institute of World Economics: "Reticence of Japanese Investors About Eastern Europe and the USSR"]

[Text] A recent study by the IFO Institute in Germany indicates that in the 1950's and 1960's raw material supply was a main objective of Japanese direct investments, while in the 1970's they were intended to exploit the advantages of the low wages in some developing countries. Then in the last decade acquisition of selling markets and internationalization became the Japanese investors' major aims. Under those circumstances direct Japanese investments in Europe did not become important until the middle of the 1980's, when their total volume reached \$1.8 billion. The following may be mentioned among the factors that also contributed to this:

- The heavy surpluses logged by Japan in its balance of current payments, which lent it the financial support for foreign investments, at least partly, in the industrialized countries, and permitted higher rates of recovery of the investments.
- The protective measures adopted by a number of West European countries, which are the chief selling markets for the Japanese transnational companies, compelled the latter to resort to direct investments to replace the exports.
- The strong gains of the yen forced many companies in Japan to increase their production or transfer part of it to other areas.
- The investments in Europe enabled the the Japanese firms to acquire advanced technology (especially

through mixed companies and agreements for reciprocal transfer of licences—"cross-licensing agreements").

Consequently in the 1985-90 period the flows of Japanese investments to Western Europe increased by about eight times, to about \$14.3 billion or over one fourth of the total volume of Japanese direct foreign investments.

The Japanese look at Europe as a whole and the Scandinavian countries, the East European ones, and even the Near East as its peripheral parts. Yet so far their investments have been made almost entirely in the 12 member countries of the Common Market.

In trying to outline the basic characteristics of the strategy used to guide Japanese investments, the German journal DER SPIEGEL noted some similarities between that strategy and the Japanese game called "go." As contrasted with chess, where the objective is to avoid losing pieces and to eliminate the opponent's pieces from the chessboard, the "go" player tries to gain ground. Similarly, the Japanese investors operate consistently and almost irresistibly and do not hurry, and accordingly do not irritate the West Europeans too seriously.

The flows of Japanese investments are channeled primarily toward the financial markets (in London, but also those in Luxembourg and the Netherlands). Their purpose is to finance the activities of Japanese enterprises in other European localities and to serve as reserves for rapid banking or real estate operations.

England, Germany, and France, the centers of the West European market, seem to have priority.

According to the official Japanese figures, Japanese direct investments in West Europe in the fiscal year 1990/91 were 10 times greater than the West European ones in Japan. This imbalance and the chronic deficit shown by the EEC in its trade exchanges with Japan are the main reasons for the misunderstanding between the two economic powers. The negotiations conducted so far could not lead to solution of these problems. At the beginning of this year the vice chairman of the EEC Executive Committee announced that "...Japanese investments in Europe are unfairly exploiting the open nature of our market." He urged the Japanese companies in Europe "...to allay these fears by cooperating with the indigenous supplier firms, conducting research and development in the European countries, allowing them access to Japanese production technology and systems, and creating jobs for Europeans in management positions."

What can be said briefly about Japanese investments in East European countries and the USSR?

Despite East Europe's impressive efforts to attract capital from all the industrialized countries, Japanese investors have so far shown great reservations about this region. The following may be mentioned among the more important reasons for this attitude:

—The opinion that in spite of the recent political changes, some sectors of the economies in the area are still controlled by government officials with conservative views.

—The fact that Japanese firms are unfamiliar with the characteristics of the economies in these countries.

—Some countries' high levels of foreign debit (especially Hungary and Poland).

—Some Japanese officials' view that the region is not sufficiently stable economically and politically.

—The nonconvertibility of these countries' national currencies.

Consequently, the seven East European states have a share of only 0.3 percent in Japan's total foreign trade, and their share in Japanese investments is insignificant. This situation is also reflected in the fact that evaluations of Japan's direct investments do not even mention the flows to Eastern Europe.

At present, Japanese investors are also showing great reservations about the Soviet economy, especially because of the following considerations:

—Lack of confidence in the economic climate due to the fact that no comprehensive reform program has yet been applied and that the economic situation as a whole is unfavorable.

—Discord between the Soviet Union and Japan over the status of the four islands claimed by Japan.

—The USSR's inadequate ability to repay.

—Uncertainty about the negotiating partners when various organizations claim ownership of some economic units.

—The unsatisfactory state of the Soviet Union's transport and distribution network.

Under these circumstances, the USSR's share in Japan's direct investments came to only 0.04 percent in fiscal year 1990/91.

As the European Bank for Reconstruction and Development [EBRD] reported, in October 1990 direct foreign investments in Eastern Europe and the Soviet Union totaled \$5.3 billion. That is an increase of 100 percent over the level in October 1989, but the volume is low in comparison with the region's heavy requirement for capital, engaged as it is in an unprecedented process of transition to a market economy. In the present period, while Western Europe (EEC especially) is pledging a large volume of capital to help these countries in their transitional effort, Japanese investments are negligible.

The far-reaching difficulties encountered by the countries engaged in the process of reform can hardly be underrated. Some of the obstacles to considerably increasing the flows of capital to those countries have

been mentioned above, but in the opinions of some Western and Japanese experts creating infrastructures characteristic of market economies is a basic requirement for making massive investments in Eastern Europe and the USSR. However, building such infrastructures is a lengthy process. Yet there are certain indications that the said countries can and will gradually attain that end.

In the first place, a group of experts of the OECD expressed their opinion recently that at least some of the states in Central and Eastern Europe could become "the

recently industrialized countries" of Europe because they have qualified manpower and reasonable wage levels and they are near the markets of Western Europe and the USSR. A similar evaluation of Romania was made by a group of German industrialists upon visiting several of the country's chief economic centers in the middle of this year. The growing conviction in the USSR that there is no viable alternative to a market economy, an opinion also shared by the leadership of the country, provides an important basis for a radical economic reform in that country as well.

### Democratic Forum on Consensus of Serbs in Croatia

91BA1135A Belgrade BORBA in Serbo-Croatian  
6 Sep 91 p 13

[Article by S. Modric: "Can Political Consensus Be Reached Among Serbs in Croatia? Serbian Agreement on a Peaceful Settlement"—first paragraph is BORBA introduction]

[Text] At the convention of the Serbian Democratic Forum [SDF], to be held on Sunday in Vojnic, an attempt will be made to reach a political consensus within the Serbian nation in Croatia, which—as Dr. Milorad Pupovac said yesterday at a press conference—holds the key to a peaceful settlement among the nations in Croatia and Yugoslavia.

The founding committee of the Serbian Democratic Forum, which came into being two months ago in Lipik at a meeting of 50 intellectuals of Serbian nationality from Croatia, announced yesterday at a news conference in Zagreb that a convention for the Serbian Democratic Forum will be held on Sunday in Vojnic. The Forum is a nonpartisan organization of Serbs in Croatia who support a democratic agreement between the two most numerous nations in Croatia, as well as a peaceful and consensual resolution of the crisis in this republic and in Yugoslavia.

Representing the SDF at yesterday's press conference were Dr. Milorad Pupovac, a university professor from Zagreb and convinced peacemaker, as well as Sinisa Tatalovic and Petar Ladjevic.

Pupovac announced that in Vojnic, in the presence of a large number of academic, cultural, and public workers, business people, local authorities of Serbian nationality, and representatives of Serbian political organizations in Krajina, an attempt will be made to reach a political consensus within the Serbian nation in Croatia, and in this way to promote a cease-fire, followed by a lasting Croatian-Serbian coalition in this republic.

Serbs in Croatia, not so much because of their will as because of their historic position, hold the key to a peaceful settlement between the nations in Croatia and Yugoslavia, as well as between the Yugoslav republics. Their position, Pupovac contends, is very delicate. They have borne the burden for the political orientation since the beginning of the century according to which all Serbs must live in one state, as well as the burden for the necessity and desire that they live with Croats in Croatia. Depriving them of one or the other is very dangerous, according to Pupovac. Moreover, pressures applied by Serbs in Belgrade and Zagreb have resulted in the tragic war that is now being fought.

How can these two Serbian goals be reconciled, a journalist from German radio asked. Pupovac responded that Serbs in Croatia want to work together with Croats in defining the republic's sovereignty on the basis of a

settlement between the two nations. This means that they want to participate in decisions on the organization of government, the system of political representation, the structure of parliament, and the attitude of Croatia towards other parts of Yugoslavia. The Forum rejects a change in borders and believes that the best solution for the Yugoslav nations is to remain in a Yugoslav community based on principles set out in a new agreement, although it is also possible to separate into six states within this territory if the nations resolve to do so peacefully. However, regardless of whether Croatia enters into a new community or becomes an independent state, it must reach an agreement internally with the Serbs who live here. A sovereign and independent Croatia, Pupovac contends, is not possible without the consent of the Serbian nation in this republic. Indeed, such consent is a precondition for Croatian aspirations.

Pupovac emphasizes that there are strong separatist aspirations among Serbian citizens in Croatia, and that this is true in particular of the residents of Krajina. But the recently expressed willingness of the Croatian authorities to guarantee Serbs local self-rule, cultural autonomy, and proportional participation in government means, according to Pupovac, that the Croatian side is ready to offer its hand to citizens of Serbian nationality, and that they should also accept it as the only way to end the conflict and find a normal, common future.

Because of the major political differences, is it possible to establish communication and reach an agreement between Serbs who are partial to the SDF and those who are grouped around Milan Babic and the radical wing of the SDS [Serbian Democratic Party]?

Pupovac acknowledges the differences, but says that they are no greater or smaller than those that exist among members of the Croatian nation. "Neither all Serbs nor all Croats are the same, and that very fact is a basic assumption of the settlement for which we strive," Pupovac said. The homogenization of nations has resulted in the intensification of conflict and war, and only a liberal-civil settlement can save us all from this inferno.

"Many negotiations and meetings of which the public is unaware preceded the agreement on the meeting in Vojnic," Pupovac says. "We contacted everyone who was willing to do this, and we tried to convince those who did not want to that our cause is a just one. The course being pursued by the SDF can be slowed down, but it cannot be stopped entirely."

Finally, Pupovac expressed the conviction that the Serbian Democratic Forum will soon be able to speak as the major popular assembly of the Serbian nation in Croatia. When that happens, Pupovac says, both Croatia and Yugoslavia will have it made.



### Failure of Serbian-Muslim Agreement Viewed

91BA1134A Belgrade NIN in Serbo-Croatian 6 Aug 91  
p 27

[Article by Dragica Pusonjic: "Serbian-Muslim Agreement: Death of a Dead Letter"—first paragraph is NIN introduction]

[Text] The heroic mistake of the SDS [Serbian Democratic Party] and the MBO [Muslim Bosnian Organization] was that they took the offensive in bringing down Alija Izetbegovic. They overlooked the fact that he is to Muslims what Milosevic is to Serbs and Tudjman is to Croats.

The historic Muslim-Serbian agreement, initiated and pushed through by the triangle of Adil Zulfikarpasic (MBO), Radovan Karadzic (SDS), and Slobodan Milosevic (president of the Republic of Serbia), flashed like a political comet, seized attention, and provoked national quarreling in Bosnia for several weeks. Recently, the signing of the agreement and the cocktail ceremony were just as suddenly "cancelled" through a decision by the MBO. Perhaps forever.

After all of this, what remains in Bosnia is another helping of political rancor served up by the SDS, MBO, SDA [Party of Democratic Action], and HDZ [Croatian Democratic Community], while everyone argues about who has in fact "laid cuckoo eggs" in whose nest through this agreement. But the news that the MBO has withdrawn from the agreement process until further notice did not reverberate throughout this republic as a sensation; this outcome was generally expected, and the story of the agreement receded completely into the background once the Yugoslav institutions, the republican leaders, and the representatives of the European Community signed the agreement on a cease-fire in Croatia. The collapse of the historic Muslim-Serbian agreement did not result in a Muslim-Serbian war in Bosnia, which constituted the most forceful denial of the strongest argument used by the SDS and MBO to explain why they "had to" sign the agreement.

It is possible to find fault with any political document, including this one, at least according to Richelieu's principle—"Give me two lines written by an honest man, and I will find reason to send him to the gallows." However, the agreement in Bosnia that enjoyed the support of Zulfikarpasic, Karadzic, and Milosevic had to fail because the people were against it. The Muslims most of all, but also the Croats. The explanation of why this was so indicates at the same time the cardinal mistakes of the initiators of the agreement, if one assumes that they were in fact solely interested in reaching an agreement on the coexistence of the two nations.

### Always a Third Party

First of all, this was a "Muslim-Serbian agreement," which in the Bosnian political tradition is inherently

condemned to hazards. Any significant political business in this republic provokes volcanic national confrontations if it does not from the outset include representatives of the three constituent nations—the Serbs, the Muslims, and the Croats. The Serbs there were upset, and rightly so, when the SDA and HDZ began to tie their party flags together into the knot of unity, whereby the Serbs were not interested in whether the SDS itself perhaps contributed to this development. Thus, the Bosnian Croats could not have accepted an agreement between the SDS and the MBO on Bosnia either, just as the Muslims, too, quite clearly would not remain silent if—under still-inconceivable circumstances—the SDS and HDZ of B-H [Bosnia-Herzegovina] were to attempt to reach some agreement on their own. The Bosnia-Herzegovinan public knew that (at least) Zulfikarpasic and Karadzic are well aware of this distinctive characteristic of political relations in Bosnia, and that is why the first doubts concerning the "pure intentions" of the initiators of the agreement arose.

The second tactical mistake relates to the MBO. Just as the gains would have consumed the benefits if, say, the SDA and SPO [Serbian Renewal Movement] had decided on some sort of tandem arrangement between Muslims and Serbs, because then the Serbs would have asked where the SDS was, in the same way here the Muslims too were for the most part unable to accept without suspicion the news that negotiations on their future for the next 100 years were being conducted with the MBO. The majority of Bosnian Muslims, it turns out, remembered that the actors in the agreement are the "grave-digger of Yugoslavia" (Milosevic), "his satellite" (Karadzic), and "Islamic fundamentalists" (Zulfikarpasic, Muhamed Filipovic), who "were preparing to assassinate Karadzic"—names that the initiators of the agreement had publicly called each other for months. This inconsistency and immoderation in dealing with people of different political views has resulted in a situation where there are few people in Bosnia today who lend any credence to statements by leaders of the MBO that they are allegedly "under the threat of assassination" by the SDA because of the agreement with the SDS and Milosevic.

### Heroic Mistake

On the other hand, the overall policy of Milosevic himself has not changed, and under his direction there are statements arriving in Bosnia from Serbia concerning "Serbs of the Muslim faith," echoed by Karadzic's "no one will turn Serbs into Turks in Bosnia at the end of the 20th century." If one adds to this the "conspiratorial" meetings between Milosevic and Tudjman on a partition of Bosnia, the situation of Albanians in Kosovo, and Serbian policy towards the Macedonian question and the "other apple of its eye," then the fact that the Muslims have turned away from the agreement appears to be the fruit of what the SDS and the Serbian leadership, together with the majority of the Serbian opposition, have been sowing in Bosnia in the meantime. Or rather,

this is why the intentions of the initiators of the agreement have once again been drawn into question.

In connection with this, the heroic mistake of the SDS and MBO was that from the outset of the agreement they took the offensive in bringing down Alija Izetbegovic, as a "stumbling block to reaching an agreement." They overlooked the fact that Izetbegovic is to Muslims what Milosevic is to Serbs and Tudjman is to Croats, and that not one thing can be done with the Muslim nation if Izetbegovic is informed that "he does not have a lifetime subscription to his post," just as it has been seen lately that nothing can be agreed to with the Knin Serbs unless the matter is not first clarified with Milosevic. The fact that they were actually counting on bringing down Izetbegovic was demonstrated by the initiators of the agreement themselves. At the point when there were only "rumors" of an agreement, in talks with Zulfikarpasic on 28 June, we learned for the first time that "the SDS wants to bring down Izetbegovic," while at that stage Zulfikarpasic did not know "what position to take." The next day this was confirmed to us by Karadzic personally, and when asked how he would bring down Izetbegovic when he was supported by the majority of Muslims, he responded that "you will see that it is possible." But the conviction of Muslims that Izetbegovic is an uncompromising personality was shattered, because it was precisely compromise that Izetbegovic emphasized in his platform with Gligorov, which to a certain extent established a bridge between the extremely conflicting concepts of a confederal and federal Yugoslavia. For the Muslims themselves, this was yet another signal for suspicion concerning the agreement between Zulfikarpasic, Karadzic, and Milosevic. Especially when Milosevic organized a "tripartite meeting" of Serbia, Montenegro, and B-H in Belgrade.

Thus, we arrive at the essence of the failure of the entire business: Under the guise of a 100-year nonaggression pact between the two nations, the key questions of Bosnian discord within the ruling coalition of the SDA, SDS, and HDZ were raised. To put it succinctly, this involves what sort of Yugoslavia can call itself Yugoslavia, and in what sort of Yugoslavia Bosnia can survive within its present-day borders. Thus, the most burning political questions were supposed to be resolved through a "settlement" between two nations, which the SDA and Izetbegovic could not accept, because among other things this would automatically put Muslim heads on the "Croatian block"....

For this reason, it can be concluded that the Muslim-Serbian agreement did not fall on fertile ground in Bosnia because there was too much everyday politics and calculations interfering with meaningful, historic business. Thus, the news that there is no longer an agreement for Bosnia itself means the death of a dead word on paper, because such as it was it could have been implemented only by force. Everyday politics, of course, continues in the same direction, and it is entirely reasonable for the MBO to explain that it withdrew from the agreement because the SDS and SDA had such a falling

out over this issue that "even the SDS wants to bring down Izetbegovic"! It appears that after all of this, it is the frustrated loser, Alija Izetbegovic, who has the most cause for satisfaction: Of all the leaders, he is the only one who at this point can be certain that "his" nation is behind him. The others have yet to undergo this test.

#### **Sarajevo Writer on Saving Bosnia-Hercegovina**

*91BA1135B Belgrade BORBA in Serbo-Croatian  
4 Sep 91 p 17*

[Interview with Sarajevo writer Ivan Lovrenovic by Vesna Roganovic; place and date not given: "Ivan Lovrenovic, Sarajevo Writer, on Appeal by Croatian Writers to Save Bosnia-Hercegovina, on Wrongful Party Policy, on Political Primitivism: Under a Cyclopean Foot"—first paragraph is BORBA introduction]

[Text] Bosnia-Hercegovina [B-H] is perhaps divisible, but without us, against us, in spite of us. The Serbian Democratic Party [SDS] is decisively destroying Bosnia-Hercegovina. The SDA [Party of Democratic Action], SDS, and HDZ [Croatian Democratic Community] are equally politically anachronistic phenomena.

It is a fact that Croatian intellectuals sent out their appeal, or the "Memorandum for the Preservation of Bosnia-Hercegovina," to the most influential addresses in the world—from Perez de Cuellar to Havel and Gyorgy Konrad, to the EC ministerial troika, and finally to Mesic and Ante Markovic. At home, they sent it to the highest-ranking Bosnia-Hercegovinan leaders, the chairmen of B-H's parliamentary parties. The fact that, with purposeful publicity, they delivered it personally to Alija Izetbegovic is not only a matter of protocol, but also carries with it a certain political implication. Although the text indicated through the press certain so-called "culprits" in the potential upcoming destruction of Bosnia-Hercegovina—and they are, the signers of this missive say explicitly, "the Serbian leadership," "the SDS of Bosnia-Hercegovina," and "the leadership of the Yugoslav Army"—initial reactions, such as the one by writer Todor Dutina in OSLOBODJENJE, have come mostly from representatives of the Serbian side, which is the primary target of the "Memorandum."

We spoke with Ivan Lovrenovic about the true motives for this appeal, the fate of Bosnia, and its problem of internationalization. Lovrenovic is a Sarajevo writer and one of the initiators of this proclamation by Croatian intellectuals from B-H, who, we remind our readers, also include Mile Stojic, Darko Lukic, Mirko Marjanovic, Miljenko Jergovic, and others.

[Roganovic] Despite the fact that the focus of the war is in Croatia, you, together with a group of Croatian intellectuals from Bosnia, sent the Memorandum to the world public about saving not Croatia, but rather Bosnia-Hercegovina.

[Lovrenovic] This was because we know that there is not a single political force in Bosnia-Hercegovina that can

keep it from being corroded and drawn into the war, while there are unfortunately internal Bosnian elements that are actively working for this process of corrosion. Our concern is that precisely as citizens of Bosnia-Herzegovina of one nationality, we affirm that it should not be any sort of handicap for Bosnia that it is the homeland and state of many nations. We are all well aware of this time-honored Bosnian pluralism on the level of academic discourse, but we do not know what it means in actual political reality.

#### What Does It Mean?

[Lovrenovic] Quite simply, we are talking here about a statehood-historic identity based on cultural-civilizational and conventional content, and not on national-ideological content, and every political concept that overlooks this aspect is historically backward and politically primitive.

[Roganovic] If, as you assert in the Memorandum, Bosnia is in fact that "unitary and integral," would it perhaps be logical in such an appeal for intellectuals of all three Bosnia-Herzegovinan nations to symbolically affirm this integrality by jointly signing it?

[Lovrenovic] This is a time when no one can call upon anyone else to do anything for any formal and symbolic reasons that do not touch the depths of each person's individual conscience. This is one such act, through which we ultimately invest our personal identity, name, and existence in declaring to everyone, but most of all as Croats to the Croatian political appetite for Bosnia, that Bosnia-Herzegovina is perhaps divisible, but without us, against us, and in spite of us! I cannot, and I have no right to call on my Serbian colleagues to declare this to Milosevic! They must declare that themselves! And this is our message to Tudjman, or rather to the purport of his statement about a division of Bosnia. Thus, the time has come for each person to speak out from the corner of his individual and national particularity....

#### Tragedy of Serbian Intellectuals

[Roganovic] In the text, however, you make no mention of Tudjman, but you do mention the Serbian leadership, the Army, the SDS.... But at one point Tudjman too was with Milosevic in favor of the partition of Bosnia....

[Lovrenovic] We do not mention anyone by name. But we talk quite decidedly and precisely about the unacceptability of any sort of division or annexation of Bosnia-Herzegovina by either side—Serbia or Croatia. But the fact is that the Serbian Democratic Party of Bosnia-Herzegovina is the political force that at this point is decisively destroying Bosnia-Herzegovina. It would have been hypocritical and politically irresponsible if we had not noted that political reality in this appeal. Serbian intellectuals in B-H are in a tragic position, and I consider that our common misfortune. Those among them who have not joined in the creation and implementation of anti-Bosnian party policy and who think and feel in this civil, middle-class way are suddenly not being

heard. And it makes perfect sense to me that they are silent, because a terrible mental blockade is being generated by the type of articulation of national allegiance and behavior that is dictated every day by the national party.

[Roganovic] I get the impression that you and the other signers of the Memorandum are highly pessimistic in terms of domestic solutions, which is why you have suddenly moved to internationalize the Bosnia-Herzegovina question?

[Lovrenovic] Naturally. You see, there are two things that hold us in a mythical, Cyclopean fist, or under an enormous foot: the terror of the nation and the terror of the Army. Gyorgy Konrad says, "Wherever the officer's saber is highly valued, human life is poorly valued." The Army has become a political actor, and it has at its disposal more power than any other political actor in this country! I cannot emphasize enough how terrible this is! Lately, Sarajevo's OSLOBODJENJE has horrified us with an entire series of interviews with generals: Djurdjevic, Jovanic, Adzic.... Even Negovanovic, Gvero, and the executed Knin YPA [Yugoslav People's Army] commander Nikovic.... And all of them attest to one and the same thing: The military mind is not a normal mind, because the military mind is best when it kills and destroys most effectively. Thus, the military mind should not be an actor, it must be a means under control. That is a textbook axiom. This terrible devastation of Croatia says it all....

[Roganovic] You and the other signers sharply attacked the SDS. But does that view not have something of a partisan tinge?

[Lovrenovic] No, because we ourselves have no allegiance to any political "tinge." Especially not a national-partisan one. On the contrary, in public we, each one with his signature, always adopt the position that the conduct of national affairs based on parties is backward and politically unproductive. This, moreover, is the basis of our assessment in the Memorandum that Bosnia-Herzegovina has arrived at complete political paralysis. Thus, in principle the SDA, HDZ, and SDS are equally politically anachronistic. But in all this, the SDS still stands out through its active destruction of Bosnia-Herzegovina. So when Radovan Karadzic says that in the future Bosnia-Herzegovina he will give cultural autonomy to the Croats, one cannot help but be alarmed, because that is explicit proof of political primitivism of the first order!

#### Manipulation of Genocide

[Roganovic] One of the facts that is apostrophized today when talking about Bosnia is the problem of genocide during the World War II, the fear of some sort of (anachronistic) recidivism.

[Lovrenovic] The fear of which you speak is one thing, and I deeply respect and understand it, partly because I myself, both personally and in terms of my family, am defined by it.... But this dreadful manipulation is an

entirely different thing, when that fear is reserved for one nation for vulgar, day-to-day political ends.

[Roganovic] Hypothetically speaking, if an abatement of tension were achieved, an agreement, would you in fact be in favor of some sort of compromise? A cantonization of Bosnia, for example, as some people are proposing?

[Lovrenovic] All of these proposals, patterns, models, solutions.... You know, it appears that not even the most entrenched LC [League of Communists] bureaucratic voluntarists were as fond of concerning themselves with this type of "patent-issuing" as the neodemocrats are. What can you do when pronounced humanists, "great" writers and "great" philosophers propose relocating people as a "solution"! The cantonization of Bosnia-Herzegovina? I was asked about that once before. I responded that we cannot be authorized nor have the competence to carry that out, neither as individuals nor as political organizations; rather, the only thing that can effect it is history. Centuries, long-term processes.... The biggest mistake of our people, so pathetically ecclesiastic-communist in origin and nature, is that all that it takes is for some Milosevics and Tudjmans to sit at a table and sign something for that to become our fate, our future history.

[Roganovic] And Izetbegovic?

[Lovrenovic] No! Those two are one political type, Izetbegovic belongs to a completely different type. Like night and day, one might say in a folksy manner. Unlike all of our politicians, who think they know, Izetbegovic knows how to think. And for that reason he knows how to change. And that which does not know how to change is a fossil.

#### **Data on Polish Arms Sales to Macedonia**

91BA1134B Belgrade POLITIKA in Serbo-Croatian  
5 Sep 91 p 5

[Article by Miroslav Lazanski: "New Information: Macedonians Buying Arms in Poland"—first paragraph is POLITIKA introduction]

[Text] Who approved \$30 million to equip the "Macedonian army"?

On the eve of the announced referendum on an "independent and sovereign Macedonia, which will then be able to associate with other Yugoslav republic-states," affairs concerning military questions are increasingly dominating public opinion in that republic.

The case of the gangster-like raid by the MUP [Ministry of Internal Affairs] of Macedonia and the plunder of military recruitment documents from opstinas all over the republic has yet to settle down, nor has the case of the replacement of the minister of defense who was unwilling to violate Federal laws. Through concrete actions, the Macedonian political leadership has in fact revealed the essence of and reasons behind all these

events: the desire to create a separate army. The initiative in this, of course, is being taken by individuals from the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party of Macedonian National Unity], including Macedonian Prime Minister Nikola Kljusev.

Moreover, the drafting of a new law on national defense and the armed forces is under way in Skopje, providing for the formation of a Macedonian army general staff with three administrations (intelligence, security, operations, and rear-echelon), while the names of the candidates for the republic's new minister of defense are being kept strictly secret. Particular activity in the efforts to form a republic army is being shown by the MUP of Macedonia, and Minister Jordan Mijalkov and several private companies are also involved in business dealings—attempts to illegally import arms.

In July of this year—on 26 July, to be precise—a delegation from Macedonia visited Poland to hold talks on buying arms. These were representatives of the private company "Vircinija," and the delegation also included several people from Croatia. In Warsaw, the members of the delegation met with a colonel in the Polish armed forces, and at that meeting a contract was signed concerning the purchase of military equipment and arms. After the signing of the contract, the weaponry was demonstrated for the buyers at an artillery range near the Polish capital. Also agreed to was the means of transport: from Poland to Austria by airplane, and then on to Croatia and Macedonia by truck.

During their stay in Warsaw, military strategists from Macedonia, from the VMRO-DPMNE, tried to negotiate a similar purchase of arms with Soviet suppliers as well. But the Poles offered lower prices.

Moreover, the list of arms under this contract includes the following: 5,000 Kalashnikov submachine guns (Polish version, at \$275 a piece), seven million rounds of 7.62 mm ammunition, 20,000 TT pistols (\$50 a piece), 2,000 RPG-2 antitank bazookas (\$380 a piece), 10,000 cumulative projectiles for those bazookas (\$36.50 per projectile), 400 "Strela-2" antiaircraft launcher systems (\$2,300 per launcher), 1,600 projectiles for that system (\$12,700 per rocket), 30,000 RPG-43 antitank bazookas, 5,000 RKM-D machine guns (\$600 a piece), 5,000 CKM heavy machine guns (\$1,400), a large quantity of SWD-S sniper guns (\$2,000 a piece), and 70 82-mm caliber mortars at \$1,500 a piece, as well as an unlimited quantity of shells for that type of weapon.

Payment for this contingent of arms was even confirmed by the Union Bank of Switzerland.

In the upcoming referendum, the residents of Macedonia clearly do not have the opportunity to say what they think about this expenditure of money at a time when the republic faces economic collapse. It is not easy, today, for Macedonia to spend more than \$30 million on arms....



**Public Accounting Data on Losses, Debts**

91BA1137A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 2 Sep 91 pp 25-26

[Article by Tomislav Dumezic: "Periodic Settlement of Accounts: Losses to the Ceiling"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] With the drastic decline in production of social product, net losses are also on the rise. Nonpayment of obligations is characteristic of all republics. A possible "solution" is a drastic increase in prime issue and inflation.

Ever since 1988, the Yugoslav economy has operated at a net loss (losses are greater than earnings). Since last year, parallel to the drastic decline in production and in the social product, net losses have also been on the rise. The effect of this, due to an additional reduction in and/or delayed adjustment of personal income to realized financial results, is an accelerated reduction in net assets, an overall disappearance of money from the economy, and massive insolvency, which in the end always happens with increased prime issue and inflation in Yugoslavia.

During the first six months of this year, when industrial production declined by around 17 percent compared to the already diminished production in the period from January to June of last year, losses are great. The SDK [Public Accounting Service] of Yugoslavia has yet to analyze and present numerical data on the country's economy, but it follows—based on the data of the republican SDK's—that losses during January to June of this year amounted to nearly 85 billion dinars. In this way, there has been a reduction in social assets, or so-called social capital. However, this brings with it yet another inauspicious consequence—the value of Yugoslav enterprises in the process of privatization would experience a decrease that is significantly greater than the amount of realized losses.

The financial results of business dealings this year have depended primarily on the scope and quality of economic activities, as well as on the specific conditions of distribution. Production is declining at an accelerated pace, as is the scope of trade and services. In contrast to last year, the market is increasingly closed to foreign goods. There is a thorough lack of financial discipline, obligations to the Federal budget are not being fulfilled, but there is an increase in classical budgetary consumption in the republics in order to finance the continually rising expenditures for arms and effect improvements in the consequences that are inciting conflict. There is less and less circulation of goods and money among the republics. This has an effect on the decline in production and on the rise in the level of insolvency, or rather on the growth in demand by buyers and obligations towards suppliers.

**Adjusted Balance Sheets**

The realized financial results expressed in the balance sheets of enterprises do not provide a true reflection of the intrinsic value of economic activities. A large number of enterprises express lower returns because of savings in taxes and contributions. However, the opposite is more frequently the case—enterprises unrealistically decrease expenditures by increasing the value of unfinished production and stockpiles of finished products, as well as by debiting part of the financing expenses as revalued reserves. These possibilities have been widely used by enterprises in all the republics, although there are certain differences in the level of intensity.

The loss expressed in the balance sheets of all the republics amounts to a little more than 84 billion dinars. This figure, as well as all others presented in this article, should be taken together with the reservation that there will definitely be certain aberrations after analysis by the SDK of Yugoslavia. Since the realized accumulation in the same period amounted to 12 billion dinars, it follows that the net loss for the business year was around 72 billion dinars.

Enterprises reduced business spending on the basis of an increase in the value of reserves by nearly 62 billion dinars. The reduction in financing expenses (this relates primarily to interest costs and negative differences in exchange rates) amounts to nearly 116 billion dinars. The net reduction in financing expenses is approximately 92 billion dinars, because part of the revenue from financing was credited to revalued reserves. It follows from this that business expenditures by Yugoslav enterprises, based on the increased value of reserves and the net decline in financing expenses, fell by around 154 billion dinars. It is clear that part of this reduction constitutes hidden losses.

The reduction in expenditures was taken advantage of in the economies of all the republics. In the Croatian economy, the following figures are indicated:

	Amount in millions of dinars
—Accumulation	4,338
—Loss	20,223
—Net loss	15,885
—Increase in value of reserves	14,856
—Net reduction in financing expenses	15,708
—Total reduction in expenditures	30,564

In the Slovene economy, the reduction in expenditures based on an increase in the value of reserves and a reduction in financing expenses was significantly less. The total reduction in expenditures amounts to 18.5 billion dinars. It follows from this that the expressed financial result of the Slovene economy is somewhat more realistic. In the economy of Serbia (without the provinces), expenses were significantly reduced precisely



on the basis of an increase in the value of reserves and on the basis of a reduction in financing expenses. The total reduction in expenditures amounts to around 48 billion dinars. In this way, a more favorable financial result is indicated, but the financing structure has drastically worsened because of this.

#### Without Capital

The essential characteristic of the Yugoslav economy is the lack of owned and borrowed long-term capital for financing ordinary business. This has been the case for 15 years now, but it is worsening from year to year. At

the end of June of this year, long-term capital (constant capital plus long-term obligations) was practically equal to fixed assets, which means that the complete reserves of finished products and commercial goods, including raw material and other material reserves and the value of unfinished production, were financed from short-term loans and from obligations to business partners.

According to the data gathered by the SDK of Yugoslavia, the financing structure of the Yugoslav economy was as follows:

	In billions of dinars
1. Constant capital	2,151
2. Nominal capital	1,420
Social capital	1,283
Joint-stock capital	81
Permanent deposits	54
Capital from individual owners	2
3. Non-nominal capital	731
4. Long-term reserves	34
5. Long-term obligations	351
6. Uncovered loss	143
7. Net constant capital	2,008
8. Long-term capital	2,393
9. Fixed assets	2,378
10. Long-term capital for financing ordinary capital	15
11. Reserves	405
12. Percentage financing of long-term capital reserves	3.7 percent
13. Shortfall of long-term capital	390

Regardless of the somewhat wholesale change in the Law on Social Capital and process of privatization, the structure of property has remained essentially the same. Social capital continues to dominate, because the business fund accounts for nearly 90 percent of the total nominal capital. Part of the permanent deposits and joint-stock capital also accounts for social capital. It follows from this that capital that has a concrete owner accounts for less than 5 percent of the total nominal capital of Yugoslav enterprises.

The second characteristic is the catastrophic structure of financing. The entire economy is financed by short-term credits and unsettled obligations to suppliers. This results in an increase in expenditures (due to high interest costs), but also to increasingly massive insolvency and delinquency by enterprises.

There are no fundamental differences in the financing structures in the economies of the individual republics. It must be noted, however, that in this regard the Slovene economy is in a somewhat more favorable situation. Its long-term capital for financing ordinary business covered 23.1 percent of the value of indicated reserves on 30

June of this year. The shortfall of long-term capital amounts to 50 billion dinars.

In the economy of Serbia without its provinces, the financing structure is unmistakably inauspicious. The value of fixed assets is 8 billion dinars greater than the total long-term capital. Given the fact that the value of indicated reserves comes to 101 billion dinars, the shortfall of long-term capital amounts to 109 billion dinars.

#### Differences Between the Republics

An unmistakably great net loss is common to the economies of all the republics in business during the first six months. There are, however, significant differences in the level of intensity. It follows from this that the economy is in unmistakably bad shape in all the republics, and that there are certain gradations within the framework of the poor economic trend.

The extent of the differences is reflected in the figures in Table 1.

## Losses in the Period From January to June 1991

Total loss	Total noncurrent loss	Covered loss	Percentage share	
			Current loss	Uncovered loss
Yugoslavia	84,720	154,205	100	100
Bosnia-Herzegovina	11,770	19,970	13.9	13.0
Montenegro	3,210	5,345	3.8	3.5
Croatia	20,271	33,212	23.9	21.5
Macedonia	5,005	7,321	5.9	4.7
Slovenia	11,141	21,183	13.1	13.7
Serbia	33,315	67,159	39.3	43.6
Serbia Proper	23,760	49,248	28.1	31.9
Kosovo	1,760	3,880	2.1	2.5
Vojvodina	7,788	14,028	9.2	9.2

The share of current losses and total uncovered losses of the economies of the individual republics in the economy of Yugoslavia differs in relation to the percentage of their share in the realized earnings. This also indicates differences in the success of business. The economies of Montenegro, Serbia Proper, and Kosovo have a greater share in losses than in realized earnings, while the economy of Slovenia has a smaller share.

An increase in mutual claims and obligations is present in the economies of all the republics. The amount of written off, unpaid claims by buyers is also great. For the Yugoslav economy, this amounted to 146.6 billion dinars. Written off claims on 30 June of this year came to 385 billion dinars, while obligations to suppliers amounted to 488 billion dinars.

The nonpayment of obligations in the agreed period is characteristic of the economies of all the republics. Here as well, however, there are differences: The enterprises of some republics are unmistakably worse payers, in contrast to others that largely maintain a balance between claims and obligations. The level of payments can be considered on the basis of the relative status of claims from suppliers (buyers = 100):

	Index
Yugoslavia	127
Bosnia-Herzegovina	179
Montenegro	155
Croatia	122
Macedonia	105
Slovenia	99
Serbia	128
Serbia Proper	131
Kosovo	139
Vojvodina	116

These figures indicate that the level of insolvency is greatest in the economies of Bosnia-Herzegovina, Montenegro, and Kosovo, while the best payers, relatively speaking, are enterprises in Slovenia and Macedonia.

It is characteristic that differences in personal income in the economies of individual republics are diminishing. While the average personal income in the Slovene economy two years ago was around 60 percent greater than the Yugoslav average, that difference has dropped today to only 32 percent.

The financial results of the economy will be even worse in view of the war situation and the decline and reorientation of production. Losses cannot grow more substantially, because there are no sources to cover them. Naturally, one possible solution is a drastic increase in prime issue and inflation. In that case, shortages and distribution will follow. As things stand today, this is an utterly realistic option.

## Slovene Hard Currency Savings in Austrian Banks

91BA1137B Belgrade BORBA in Serbo-Croatian  
6 Sep 91 p 12

[Article by D. Draskovic: "How Slovene Foreign Exchange Savings Ended Up in Austrian Banks Instead of Ljubljana Bank: Stingy Patriots"—first paragraph is BORBA introduction]

[Text] While banks in Slovenia offer their depositors securities instead of foreign exchange, the Ministry of Finance is silent. Dissatisfied citizens are threatening to form a "Forum of Plundered Foreign-Exchange Depositors." The owners of foreign exchange will no longer be duped by "foreign-exchange patriot-idiots," and have transferred their remaining foreign exchange to Austrian banks.

On exactly the 150th day of DEMOS rule, Dr. Joze Pucnik, speaking in a radio interview, pushed the Federal State into a foreign-exchange hole, practically calling on Slovene savers to withdraw their foreign-exchange

deposits. Through his later stubborn reiteration that money is safer in a sock than in the bank, the goal was achieved: The banks, first in Slovenia and later in a chain reaction in other republics, were "cleaned out," and the foreign-exchange reserves, amounting to more than \$10 billion, came tumbling down.

However, Pucnik and the other strategists of the effort to undermine the foreign-exchange reserves overlooked the close proximity of Austria, with its very flexible banking system. Thus, the foreign exchange of Slovene savers went for the most part into Austrian banks instead of into Slovene socks.

#### Securities Project of Bankers

Those who counted on foreign-exchange patriotism—that at the "beck and call" of the Slovene authorities citizens would return foreign exchange from the neighborhood—have been declared economically naive. Indeed, even in a time of explicit national euphoria, when during the clashes with the YPA [Yugoslav People's Army] some were forced while some decided on their own to offer their automobiles as barricades against tanks, there have been almost none who have been ready to help their state in terms of foreign exchange. Many have offered part of the resources that have been blocked due to the general foreign-exchange drought, and which the citizens will get their hands on sometime or never.

The Slovene state and the Slovene banks, which assumed concern for their foreign-exchange savings on 26 June, are pondering how to pay out foreign-exchange savings, partially in foreign exchange, or in some other way. Stane Valant, from the Ljubljana Bank, says that consideration is being given to a gradual payment in securities of 250 German marks [DM] a month, which would satisfy primarily the small depositors. Those with enormous savings in Slovene banks will have to wait some time to collect all their foreign-exchange savings.

It is difficult to say how accurate statistics on Slovene foreign-exchange savers are, but it is assumed that there are about 100,000 of them. Among them, 1.4 percent at Ljubljana Bank have over DM38,500. They account for a total of 20.4 percent of the foreign-exchange savings. Medium-range savers at Ljubljana Bank constitute 2.6 percent (these people are those who have more than DM7,700 in the bank), and they account for 55 percent of the foreign-exchange savings. To these people, Ljubljana Bank is currently offering securities instead of foreign exchange, with which they can buy housing or trade on the stock market. In addition, they would enjoy tax benefits if they were to allow their foreign exchange to be converted into securities.

To be sure, this is only a project of the bank, because the Ministry of Finance is keeping quiet about everything. In order for this project to really get going, Slovenia would have to reach a legal decision on the public debt. And as long as the government is silent, while the banks are offering securities projects, the dissatisfaction of foreign-exchange savers is growing rapidly. They are threatening

to form a "Forum of Plundered Foreign-Exchange Savers," through which they will take organized action, not only against the bank, but also on a wider scale. Because there are already allegations emerging among the public that the new government has succeeded in doing things in this domain (in a negative sense) that the old government was unable to do for 20 years.

#### Who Is the Plunderer?

In contrast to the government spokesmen, who always pull out the Federal prime minister as the guilty joker, a commentator for DELO is on the side of the plundered citizens: "If plundering has taken place, then that means that there must be a plunderer. Who is it? First, they cleverly pointed to the smiling Ante Markovic, who has stirred up everything bad. But our lost foreign exchange has no connection whatsoever with the Army's aggression in Slovenia, because people from the government (Minister Sesok) and the bank had announced to us much earlier that their till was empty and that they could not pay us our marks."

Whoever was sensible and was not duped by the patriot-idiot, the commentator notes, moved his foreign exchange from that side of the Karawanken Alps and will not return it. This before the failed attempt by former Vice Prime Minister Dr. Jozse Mencinger to introduce in Slovenia the method of public reporting of property that emerged in Austria during the time of Bruno Kreisky. Specifically, politicians there must report their property upon taking office.

Mencinger announced that despite all the problems, he keeps all his savings in domestic banks. This was a signal for other government officials to speak out in front of TV cameras, holding up their domestic or foreign passbooks. The officials remained silent, and local journalists did not even ask the question, based on Mencinger's cue, "Mr. Minister, where do you keep your savings?" A little earlier, former presidential candidate Ivan Kramberger had spoken out, publicly admitting that he had transferred his foreign-exchange savings to Germany.

At the same time, the story leaked out that the person who first proposed hiding the foreign exchange from the banks, and thus Dr. Jozse Pucnik, said that if things in Slovenia do not go as he imagines, then he will pack his suitcase and head to Germany. After that, the citizens are even less interested in being duped by the foreign-exchange patriot-idiot, and they have put the rest of their foreign exchange in Austrian banks. To make it all tragicomical, Austria is preparing to invest this enormous accumulation of capital, through its own banks, in Slovene small and medium-size companies.

No one will recognize the domestic marks, because they will arrive in the form of schillings.

### Slovene Differences on Ownership Concept Reviewed

91BA1103A Belgrade BORBA in Serbo-Croatian  
28 Aug 91 p 11

[Article by Stevan Sicarov: "A New Settlement With Communism"—first paragraph is BORBA introduction]

[Text] Clashes and protests because of the ownership concept of the Slovene government. The government will try today to push through a package of ownership laws in the Assembly, and trade unions will attempt to convince the representatives not to do that through a protest gathering before parliament. There are differences in the ruling coalition and the opposition as well.

There have not been so many divisions and opposing views on the Slovene political scene and in the public for a long time as there have been in the last few weeks about the package of ownership laws that will determine questions on the transformation of social property, denationalization, and cooperatives. The concept on the basis of which ownership transformation in the Slovene economy over the long term will be made, which would also define the macroeconomic policy of the republic, has been undergoing formulation for months—since as early as the middle of last year—by a team of the vice president of the government, Dr. Joze Mencinger, and has been reviewed twice in the form of law in the Assembly. Both times it was returned for finishing touches, and the situation changed radically in the middle of April with the resignation of Dr. Mencinger. After this, the government accepted the advice of Jeffrey Saks, a famous economist from Harvard University, and prepared a new draft which differs completely from Mencinger's previous one.

The proposed three laws—on the ownership transformation of enterprises, on denationalization, and on cooperatives—now again lie on the Assembly benches, and the representatives will discuss the latter two laws at today's meeting, while the review of the main law in this package, the one about the ownership transformation of enterprises, has been left for the beginning of September. This formal-procedural process itself has already caused doubt in opposition parties that the six-party ruling coalition, DEMOS, wishes to prejudice the final outcome of the adoption, since the greatest conflicts center on the concept of ownership transformation or privatization. If the laws on denationalization and cooperatives are adopted this week, the law on privatization should also pass.

#### A Compulsory Approach

Disputes between the parties of the coalition and the opposition, the split in DEMOS's most productive party, the Slovene Democratic Alliance (SDZ), and the inclusion of trade unions in the public discussion of the problems of ownership, indicate that "many spears will be broken." The Liberal-Democratic Party (LDS) confirmed yesterday at a press conference that it will seek to

have the law returned to the draft phase, and although the SDZ has decided that it will support the laws, and thereby unanimity was achieved within the framework of DEMOS, only the Assembly discussion will show whether the "liberal fraction" in the SDZ, which is for the return of the Mencinger concept, will retain the majority's wishes in the party.

The main conceptual point of dissension between adherents of the old and the new proposed model are found in the time periods for carrying out privatization. According to Mencinger's model, privatization would be carried out by the end of 1992, and enterprises would have several autonomous methods at their disposal, in that the government Agency for Privatization would assess the value of the enterprises, and employees would buy up 10 percent of the assessed value, while the remaining part of the purchases of shares would be generated through the creation of income. The new model has made an administrative differentiation between large enterprises (500 employees and a value of over 200 million dinars) as well as small and medium-size enterprises, in that the large ones privatize first, within 60 days of a buyup of 50 percent. Shares would be transferred to a fund for development and divided among various investment funds whose administrative councils would be led by the ruling political team.

According to the old model, privatization would be gradual and last many years; according to the new model, it would be centralized and carried out immediately. The new model is criticized for supporting and representing a new nationalization by which new historical injustices, with the parallel return of property to its former owners from the postwar period—which is foreseen under denationalization—are being committed.

The political background of the whole situation is in the fact that in DEMOS they point out how predominantly political these laws are and how they represent the fulfillment of their election promises. Therefore, for example, Dr. Rajko Pirnat publicly expressed the view that the intention is to end the reign of the "red directors," which means, in other words, that they should be prevented from buying up enterprises and, instead of them, new administrators who are loyal to the new government should be placed in the leading positions. In addition, the vice president of the LDS, Mile Setinc, warned yesterday that a "new settlement with communism" is involved, which not only has no basis, but also would bring chaos to the securities market, since it is foreseen that 30 percent of shares would be distributed free of charge among citizens. They also warn in the LDS that the approach to the ownership complex is compulsory and that the only thing it can bring, in a case where the law is adopted, is the creation of a new force.

#### Mencinger's Letter

Trade unions, i.e., all trade union organizations in Slovenia, are most resolute in demanding that the laws be returned to the previous phase of legal procedure. For

example, the Union of Free Trade Unions held a special conference yesterday at Cankarevi Dom, at which this demand was repeated, as it has been several times up to now, with the viewpoint that the new model means "a complete disenfranchisement of workers as administrators of social property," so that the contribution to the increase in social property is not recognized for workers. Free Trade Unions, the largest trade union organization in Slovenia, wants workers to participate in deciding on property on which "the owners also work," and warns the public that the government is leading the Slovene people into poverty and servitude.

Their demand that workers, as possessors of ownership rights to social property, decide on its further fate by referendum, is also supported by the Independent Trade Unions and the Confederation of Independent Trade Unions '90. And while the trade unions met in Ljubljana, they were joined by the workers from "Perutnina" in Ptuj, who organized a protest meeting yesterday morning and said decisively that they will not tolerate new discrimination in the work force. A letter, which seeks to prevent the adoption of a legislature that creates new faults, was sent to the president of the Union of Free Trade Unions, Dusan Semolic. Today's decisions by the representatives will certainly be affected, in addition to the worker-trade union dissatisfaction, by a "letter to the Slovene Parliament" in which Dr. Joze Mencinger plans that the new legislature not be adopted. The situation for the representatives is all the more difficult in that the trade unions have announced a protest meeting in front of the Assembly building before tomorrow's meeting.

### Shadow Government on Privatization Legislation

91BA1114A Ljubljana DELO in Slovene 3 Sep 91 p 4

[Article by Alenka Brezovnik: "To the Taste of Workers and Managers"]

[Text] Ljubljana, 3 Sep—The shadow prime minister, Emil Milan-Pintar, has offered a group of republic deputies a law on transforming the ownership of enterprises for adoption by the Assembly, because, as he says, it has become clear that the so-called experts, in preparing the proposal for this law, do not want to see or hear anything else but the exaggerated political demands of the professional parties. The proposed law was submitted for regular Assembly proceedings on 29 August, and was also signed, in addition to Pintar, by Franci Pivec, Borut Pahor, Ivo Doman, Peter Starc, Joze Protner, and Ivan Atelsek, and half of the deputies who are not members of the Party of Democratic Renewal [SDP].

The basic characteristics of the new law are as follows:

- It also includes all of light industry in the normal privatization process;
- None of its provisions are retroactive, and it does not nullify previous privatization processes;

—It leaves the enterprise with most of the funds from the sale of shares, so that the enterprise can be financially strengthened; and

—From the rest of the purchase price, it forms a fund for the technical development of the economy.

The privatization procedure itself is very simple and gradual in the proposed privatization law. It would take place in six phases. Thus, the enterprise would first of all issue common shares to creditors whose claims it wants to capitalize and turn into coownership. The enterprise would return to the state, in the form of common shares, the funds that it has received as nonreturnable ones during the past five (or 10) years (for example, from the fund for reserves). The enterprise, by its own decision, could distribute 35 percent of the value of the shares to individual workers (with a maximum ratio of 1:5, and a maximum of 20,000 German marks [DM]), or it could decide on a combination of distribution and internal sale, or only on sale. In that case, half of the funds would remain at the enterprise, and half would be collected at the fund for the technological renewal of the economy. The enterprise would offer the remaining shares for purchase by Slovene citizens and legal persons. Citizens who were not included in the distribution of shares would be able to take advantage of a 50 percent discount, up to a share value of DM30,000. If the enterprise had even more shares, it could offer them for purchase by foreign firms and citizens, and if they were not sold even in this phase, the rest would be transferred to the fund.

Such a simple model would permit continuation of the process of privatizing social capital in Slovene enterprises. It would establish a balance among all the commercially active factors in entrepreneurship, both owners and creditors, and workers and management. At the same time, through privatization with such a law an attempt would be made to activate capital—for instance sales, where the enterprise would keep part of the purchase price—and also new entrepreneurs.

Emil Milan-Pintar is aware that there is little possibility that the Slovene government would accept such a model. Nevertheless, as he says, the fact that it is accepted by workers and managers is already compensation for the effort. It is already clear now in Slovenia that DEMOS and the government are not interested in seeking a balance, but are rather driven by two motives, some by greed, and others by a desire for ideological and political revenge against the system of the last half century. With the proposed laws on privatization, they are not leading us into capitalism of the modern type, which is formed by social-democratic legislation, but rather to capitalism of the precommunist type, i.e., to that period of capitalism which led directly to radical ideologies because of the injustice of social relationships, especially property relationships, and the incompetence of political structures. That is a warning that we cannot overlook today. Those who are pushing us back 30 years have to be aware that they are pushing us into the socioeconomic situation in which both fascism and Bolshevik communism were



born—the two radical ideologies of inappropriate ownership. The SDP, therefore, will resolutely oppose the adoption of such legislation.

### Monetary Blockade of Slovenia Continues

91BA1127B Ljubljana DELO in Slovene 5 Sep 91 p 3

[Interview with Dr. France Arhar, governor of the Bank of Slovenia, by Miha Jenko; place and date not given: "Through the Monetary Isolation of Slovenia, the National Bank of Yugoslavia Is Hurting the Federation More Than Slovenia"—first paragraph is DELO introduction]

[Text] Exclusive interview with the governor of the Bank of Slovenia, Dr. France Arhar, after the decision by the NBJ [National Bank of Yugoslavia] board of governors that Slovenia and Croatia will continue to have no access to the primary issue.

Ljubljana, 4 Sep—At yesterday's meeting of the NBJ board of governors the expected reversal of the NBJ's policy toward Slovenia did not occur, since the board's decision from the end of June remains in effect. Slovenia thus continues to remain in monetary isolation. We spoke with Dr. France Arhar, the governor of the Bank of Slovenia, about the events at the meeting and the monetary situation.

[Jenko] How do you view yesterday's decision by the NBJ board of governors? What will its consequences be for the Slovene monetary system and the Bank of Slovenia?

[Arhar] That decision was actually a confirmation of the status quo. That means that the decision still applies. It should be emphasized, however, that the discussion about whether to revoke that decision for Slovenia or not was quite extensive. The republics and provinces still do not have more detailed information about the extent to which that decision has harmed the rest of Yugoslavia. It was noted that both banks, in Slovenia and in Croatia, were still operating unhindered. The decision thus has actually not brought about the desired result. It was noted in the discussion that Slovenia was trying to come back into the system. Thus, it accepted two audits by the NBJ, which confirmed that the data we are sending the NBJ are accurate and correct. That means that Slovenia is abiding by the regulations and measures of the board of governors. Also, on 15 August the Slovene government sent a document in which it emphasized that while the Brioni moratorium was in effect, articles 90 and 91 of the Law on the Bank of Slovenia would be in effect. Those two articles talk about how the dinar is a legal medium of payment and transactions are concluded in dinars. It was also emphasized that Slovenia would revoke its decision on carrying out payment transactions at the moment when the NBJ revoked its 27 June decision.

The atmosphere at the meeting yesterday was somewhat spoiled by the most recent decision by the Constitutional

Court of Yugoslavia which was put on the table before the participants; it cited the articles in the Law on the Bank of Slovenia that were unconstitutional. They did not include, however, the above-mentioned articles 90 and 91 of the Law on the Bank of Slovenia. The rest of the governors demanded that the Slovene Assembly revoke the Law on the Bank of Slovenia or suspend it, or authorize the Slovene Executive Council to do so. They thought that it could not be concluded from the document sent on 15 August that this condition had been met. We emphasized that the Slovene Assembly, by accepting and ratifying the Brioni declaration, had actually suspended the Law on the Bank of Slovenia. An additional explicit statement is therefore not important at all. We also emphasized that during the visit by Prime Minister Markovic and his colleagues at the beginning of August the contents of the document sent on 15 August by the Slovene Executive Council had been agreed upon. We were thus hearing the demands for a new content and form for the first time yesterday, and it was our belief that these demands were unnecessary. We are thus proceeding on the basis of the content of the documents that were already adopted. Several governors expressed the criticism that the Slovene Executive Council was making revocation of its decision conditional upon revocation of the decision by the board of governors, instead of the Slovene government's revoking its decision without setting conditions. I pointed out that if that happened, the Bank of Slovenia would not have any legal basis for depositing the primary issue, or book money, through the republic SDK [public auditing service], and that these conditions had been agreed upon during Prime Minister Markovic's visit to Ljubljana. It was also heard several times yesterday that through this decision, the NBJ had done more damage to the other banks in Yugoslavia than to Croatia and Slovenia. The governors criticized the NBJ and its expert services for not having prepared information before yesterday's meeting on how much damage had been done to the rest of Yugoslavia, because the Banks of Slovenia and Croatia were continuing to operate unhindered.

They noted that the foreign exchange market was also not working for them, because it does not have any foreign exchange reserves available. There also cannot be any borrowing abroad, because the country risk for this state is too high. With respect to the primary issue, both republics would have benefited, because they would have drawn it through the Federal SDK, where in any case they would have to pay a high commission. Thus, so far Slovenia and Croatia have only been affected by the halt in the supply of cash. Last week we sent a new request for the supply of cash. The NBJ, however, alleged that this would have to be agreed upon at yesterday's meeting. The stock of cash is decreasing and is lower than the level specified in the special decision by the board of governors. It will therefore be necessary to seek new solutions. One could also hear criticisms about "Why are we trying to get Slovenia and Croatia back into the monetary system when the moratorium lasts until the beginning of October?" On the other hand, Slovene

politicians are stating that according to the agreement reached on Sunday, Slovenia is closer to Europe than to Belgrade. No one was moved by the Federal Presidency's decision at its 21 August meeting that an agreement on the functioning of the system during the moratorium should ensure a unified monetary and foreign exchange system and a unified market. In these discussions, it was mostly political arguments that prevailed. Yesterday I pointed out again at the meeting that the NBJ had not yet answered the arguments that we had offered at the meeting of the board of governors, especially the part where they wrote that we had excluded ourselves from the monetary system, because the Law on the Bank of Slovenia says that it is independent in its work and only responsible to the Slovene Assembly. I emphasized that the same wording was also in the rest of the laws, and that that assertion naturally was not valid. In the discussion, I pointed out the different standards that were being used for different subjects and different contents. The present financing of the Federal budget through the NBJ by means of the primary issue is the biggest incursion into the monetary system. The NBJ will just have a hard time enduring criticisms that it has thus contributed to Yugoslav inflation.

It has to do with uncritical support for the budget, and the Federal Government has not done anything in this area. Approximately 70 percent of the budget is being financed from the primary issue, and the Federation is not repaying interest, so that short-term loans will turn into long-term debt and thus the Federation's debt. It was also emphasized at the meeting that 80 percent of the budget was going for the Yugoslav Army. According to the well-known data, during the past quarter the Federal budget would need about 30 billion more dinars from this source. The republics and provinces are not paying taxes, contributions, and tariffs, and the NBJ is the only institution that is providing these budget resources in this way. I raised the question of responsibility for this. Twelve billion dinars have been reserved for wheat purchases. At the three previous meetings of the board of governors, it was decided that it was necessary to exercise control over this and to propose records; but as of yesterday the largest users of these funds, Serbia and Vojvodina, had not yet presented any records. The rest of the national banks have already done so. In particular, Serbia emphasized in this regard that Slovenia, in spite of the audit conducted, was using secret channels to print money secretly. I said that this was about the same as if someone on the street told Slovenia that Serbia was printing additional money because it has a printing press in Belgrade. And the opinion does exist that Serbia is making use of it.

[Jenko] How much review do you have over monetary events at the Federal level? The opinion has been expressed on several occasions that the Slovene authorities are rather naive in this area.

[Arhar] We have arguments that our data are credible, and in doing this we proceed from the assumption that other people's data, which are provided by the NBJ on

other parts of this system, are also credible. A transgression would appear in the financing of the budget, but there would not be one elsewhere. Several suspicions have arisen about incursions into the system in other republics, about which newspapers in other parts of the state are writing.

[Jenko] What are the consequences of the present monetary situation, and what other sanctions can the NBJ institute?

[Arhar] The NBJ can take away Slovene banks' authority to conduct business abroad, but it is difficult to predict other sanctions in addition to those already adopted.

### **Slovene Business Assets in Republics Appraised**

*91BA1127A Ljubljana DELO in Slovene 5 Sep 91 p 3*

[Article by Ilja Popit: "Economic Logic Is Relentless: Slovenia Still Needs the Southern Market"—first paragraph is DELO introduction]

[Text] Of course, the southern republics also need the Slovene market, but in these turbulent times they do not care enough about it. According to accounting data, at the end of June Slovene property in the south was worth 14.9 billion dinars.

Ljubljana, 4 Sep—Although for a long time we have not been particularly concerned about property, it would be difficult to maintain that Slovenia has so far not worked out a balance of how much property it has in the other Yugoslav republics. Those balances were worked out even in the early socialist times, within the framework of the slogan, "We will be an industrialized republic, we will sell products to others, Vojvodina will specialize in food, we will get electricity from Bosnia, etc."

Those balances were adjusted to each other, so that we obeyed the Vojvodinians when they said, "You will still get grain from us, but invest in the land and silos." The Bosnians announced the same thing: "If you want electricity, it is not enough that you just set up the power plants here; invest in the mines as well." At the same time, the Croats provided half of the Krsko electric power plant upon our promise that we would provide our half for Plevlja. Before we were given the boot, we jointly—outside of the budget and the fund—invested in Kosovo, etc. Before the last elections, there was a mental revolution with the balances, which we can put together without economic cooperation with Serbia, "since they need us so much and consequently there will be no lack of work."

Even this summary indicates that balances and an outlined policy are one thing, but implementation over a period of time is something different, and each successive content of the balance is also different.

Upon the first attempts at an economic blockade, the Slovene Chamber also compiled a summary of business with Serbia; the Serbs did the same thing, and for some

time both sides noted that it hurt both of them. In spite of that observation, the Serbs embarked upon new blockades, and, following the model of the Croatian seizure of a Serbian ship, began first to seize Croatian gasoline enterprises, and recently also began to "remake" some Slovene shops into Serbian ones, alleging that their shops were being seized in Slovenia.

The Slovene government and the Ljubljana SDK [Public Auditing Service] deny that there were also confiscations in Slovenia, because that would be absurd, since Serbia has considerably fewer stores and shops in Slovenia than Slovenia does there (and the same applies to other republics). For this reason, the balance of confiscations could only be in Slovenia's disfavor. A month ago, the Slovene Economic Chamber's Development Service published the fact that Slovene enterprises have 204 branches in Serbia, and those have 561 shops, of which 195 are in Vojvodina and 49 are in Kosovo.

At the same time, the Ljubljana SDK center has prepared a new summary of the property of Slovene enterprises' branches in other republics, the results of which were published today. According to those data, which were gathered through a survey of large and medium-sized Slovene enterprises, among 1,662 such enterprises 272 also have branches in other republics. At the end of this June, Slovene enterprises had 1,866 branches in other republics.

According to accounting data, at the end of this June that property should have been worth 14.9 billion dinars, or 11.9 percent of the property of those 272 Slovene enterprises which have branches in other republics, or 3.2 percent of the total property of large and medium-sized Slovene enterprises.

They included in that property material investments, which amount to 68 percent of the property, and inventories, which amount to 32 percent.

Most of the material investments, 68 percent, consists of buildings; equipment represents 22 percent, and then there is the land.

The summary demonstrated once again the importance of the Yugoslav market for Slovenia. In fact, the enterprises that have branches in other republics employ 199,115 workers (in Slovenia), or 33 percent of those employed in the economy, and contribute 38 percent of the income of the Slovene economy. At the same time, their fragility is indicated by the fact that they also

account for 33.5 percent of Slovene losses and 22.9 percent of the capital accumulation. The Service notes that in such an extremely poor situation any sort of deterioration in business conditions—even in a considerably smaller part of the Slovene economy—would have critical dimensions.

**[Box, p 3]**

Of the 1,866 Slovene branches in other republics, most of them are in Croatia, i.e., 840; there are 559 in Serbia (including 390 in Serbia proper, 137 in Vojvodina, and 32 in Kosovo), 307 in Bosnia-Herzegovina, 108 in Macedonia, and 52 in Montenegro.

Of the total value of those units' buildings, 60.2 percent was invested in Serbia, 24.8 percent in Croatia, 11.3 percent in Bosnia-Herzegovina, etc. On the other hand, 50.9 percent of the total equipment is in Croatia, 31.9 percent in Bosnia-Herzegovina, 16.1 percent in Serbia, etc.

Most of the Slovene branches in other republics, i.e., 1,078, or 58 percent of them, are stores, especially stores for the sale of Slovene products. In Serbia, 61.2 percent of the Slovene enterprises' units are involved in trade, 54.9 percent in Croatia, 61.6 percent in Bosnia-Herzegovina, 57.4 percent in Macedonia, and 46.2 percent in Montenegro. There are 244 units, or 13.1 percent, involved in industry.

**[Box, p 3]**

Director Omerza visited the Yugoslav SDK in Belgrade only once, immediately after taking over the job of director, and since then they have only cooperated indirectly. He points out, however, that in contrast to the National Bank of Yugoslavia, the Federal SDK is working better. The republic SDK's are, of course, a service of the individual assemblies and governments, but all sorts of things can be done through them, either blocking everything or overlooking everything.

**[Box, p 3]**

This current summary of the branches' property is limited to Slovene enterprises in other republics, while a summary of others' property in Slovenia could be prepared more easily by the SDK in other republics. Just walking through Slovene cities, however, indicates that the proportion of others here is considerably lower.

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